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A

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 Dutta, A. S. (D. S. Knights, London).

E

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 Elliott, D. S. M. (J. F. Kinnersley, Bristol).
 Elliott, M. (R. C. Baldwin, Blackburn).
 Ellis, D. J. (A. C. Falkner, London).
 Ellis, R. P. (T. A. J. Bedford, Leeds).
 Elvin, R. A. (D. F. L. Cooke, London).
 Emanuel, S. G. (C. V. Best, London).
 Emery, J. K. (R. S. Sprange, Sutton).
 Emmerson, M. J. (J. B. Dixon, Middlesbrough).
 Enshaw, R. M. (D. J. Lowe, Liverpool).
 Eslick, C. R. (R. Garner, Twickenham).
 Eustance, R. C. (D. S. Lewis, London).
 Evans, A. G. (L. W. Huggins, Gloucester).
 Evans, K. A. (J. C. Davies, Wrexham).
 Evans, K. R. (W. Tooth, Coventry).
 Evans, M. J. (R. E. M. Crane, London).
 Evans, P. G. (R. L. Phillips, Carmarthen).
 Evans, T. C. (J. Bromley, Southampton).
 Every, H. J. M. (G. W. Tyrwhitt-Drake, London).

F

Fadipe, L. O. A. (J. W. Margetts, London).
 Fairbrother, C. G. (T. H. Shore, Walsall).
 Falquero, K. A. D. (B. Collins, London).
 Farndale, P. (Miss) (I. P. Gill, Colne).
 Farouk, Bin Sheikh Hussein (J. P. Burke-Scott, London).
 Farr, W. J. M. (L. A. Cox, London).
 Farrell, K. A. (G. E. Piper, Shrewsbury).
 Faulkner, G. A. L. (L. A. Periton, London).
 Fellows, M. G. (Miss) (N. C. Fellows, Holywell).
 Felman, P. T. (A. Goldberg, Cardiff).
 Felton, M. J. (C. C. Bullock, Stoke-on-Trent).
 Fernandes, R. J. (A. Meeson, Richmond, Surrey).
 Ferriter, S. J. (A. Strudwick, London).
 Field, R. (A. Wagstaff, Mansfield).
 Fisher, D. J. (E. C. Shaw, Leeds).
 Fletcher, A. J. (C. Bygrave, Luton).
 Fletcher, S. R. (E. E. Ray, London).
 Flindall, N. P. (R. D. Moore, Aberystwyth).
 Flint, P. (T. Ditchburn, Sunderland).
 Flook, J. G. (E. G. Barratt, London).
 Flower, G. J. (K. C. Barlow, Richmond, Surrey).
 Flower, J. H. (J. P. Grenside, London).
 Fon Sing, E. L. C. (J. R. Cormack, London).
 Forbes, T. J. (J. D. Spooner, London).
 Ford, M. (J. H. Groves, Newcastle upon Tyne).
 Ford, R. C. (B. Wilton, Bexhill-on-Sea).
 Forrester, N. R. (E. G. Mayes, Norwich).
 Foster, C. A. (J. C. W. Cox, London).
 Foster, R. W. (H. J. W. Spriggs, Kettering).
 Fraser, I. A. (D. J. Cakebread, Kingston upon Thames).
 Fraser, S. A. L. (G. W. M. Phillips, London).
 Fraval, C. G. (D. G. Garrett, London).
 Frearson, A. E. (Miss) (S. N. Gordon, Leicester).
 Frearson, P. (J. E. Spoors, Newcastle upon Tyne).
 Freedman, L. D. (P. F. Newman, London).
 Freeman, R. M. (L. Freeman, London).
 Frith, P. A. M. (C. Pearson, Liverpool).
 Fryers, K. W. (A. Waxman, Manchester).
 Fullarton, J. B. (K. W. G. Webb, London).
 Fuller, C. C. (M. A. Charlton, London).
 Fuller, J. G. (B. W. Taylor, Manchester).
 Fuller, K. M. (T. McDonald, Leeds).
 Furse, K. H. (E. A. Hore, Launceston).

G

Galbraith, J. P. (R. Philp, London).
 Ganatra, A. G. (J. S. Page, London).
 Gardiner, L. A. (A. C. Falkner, London).
 Garland, R. J. K. (R. A. Hubbard, Reading).
 Garnham, J. A. (N. Grenfell, Teddington).

Gasgoyne, B. (H. Robinson, Norwich).
 Gaskin, L. J. (P. B. Milne, London).
 Gatenby, M. R. B. (P. J. Butler, London).
 Gathergood, R. H. (T. J. W. Evans, Stockton-on-Tees).
 Gay, B. J. (G. D. Thomas, London).
 Geddes-Brown, A. D. (D. L. T. Creer, York).
 Gee, N. (S. S. Shaw, London).
 George, R. A. (J. Whitley, Banbury).
 Ghorri, S. (R. F. Clark, London).
 Ghosh, P. K. (Highgate, N6).
 Ghosh Dasidhar, U. K. (G. H. Bennett, London).
 Gibson, A. D. (P. C. Rutland, Croydon).
 Gibson, M. H. (D. R. Fendick, London).
 Gibson-Moore, D. J. (J. C. W. Cox, London).
 Gilbey, P. H. (S. Price, Harlow).
 Gill, M. K. (S. R. Jones, Scarborough).
 Gillingham, T. R. (W. D. Menzies, Kingston upon Thames).
 Glass, C. (G. Isles, Bradford).
 Glickman, A. L. (G. W. A. Gray, London).
 Godby, J. C. (D. R. B. Smith, London).
 Godfrey, D. F. (P. W. G. Dubuissin, London).
 Godfrey, D. S. (T. M. Sadler, Newcastle upon Tyne).
 Goff, B. L. (T. H. Sherlock, Chichester).
 Goh, C. C. (L. M. G. Harris, London).
 Goldsmith, D. (P. J. Stilling, London).
 Goldsmith, R. C. (W. G. Densem, London).
 Goodare, J. J. (W. B. Hall, Hull).
 Gooden, R. J. (N. G. Thomas, Swansea).
 Gooderham, N. J. (G. G. Boxall, London).
 Goodman, E. (C. Baddiley, Kettering).
 Goodwin, L. B. (G. B. Hodson, Liverpool).
 Goumal, J. L. (G. F. Gilmore, London).
 Govett, C. J. (P. L. Ainger, London).
 Gradel, D. (L. H. Jacobs, Manchester).
 Grady, D. J. (H. Winstanley, Wigan).
 Graham, M. J. (P. H. Plews, London).
 Grant, M. F. (F. H. G. Tompkins, London).
 Graves, J. M. (Miss E. D. Barrow, Whitehaven).
 Gray, P. F. (D. C. Hobson, London).
 Gray, T. J. (M. Hoose, Gt Yarmouth).
 Grayburn, I. J. L. (H. E. Hassell, London).
 Greaves, J. S. (S. G. Kaye, Huddersfield).
 Greaves, T. J. (A. V. Flather, Bradford).
 Green, F. P. (Miss) (P. D. Davis, London).
 Green, J. L. (M. R. Harris, London).
 Green, J. V. (E. L. Bates, Leicester).
 Green, N. (D. T. French, Uxbridge).
 Green, R. D. (D. J. Gulliford, Portsmouth).
 Green, R. W. (R. J. Cody, London).
 Green, V. S. (R. D. Fellows, Wolverhampton).
 Greensted, J. C. (J. G. Ash, London).
 Greenwood, N. M. (P. F. D. Cornish, London).
 Gregory, A. D. (D. E. Church, London).
 Gregson, J. (A. V. J. More, Manchester).
 Grievson, A. (A. R. Chapman, Newcastle upon Tyne).
 Griffith, C. L. (J. G. Hordle, Bristol).
 Griffith, J. L. (W. B. S. Walker, London).
 Griffiths, P. A. (N. G. Rees, Oldham).
 Groom, G. C. D. (R. S. A. Donnithorne, London).
 Groom, S. C. (T. E. Williams, London).
 Gross, C. E. G. K. (W. B. I. Jamieson, London).
 Guenin, R. M. (E. L. Pargeter, London).
 Guest, D. T. (C. R. Spencer, Dudley).
 Guinn, D. J. (P. J. Burgess, Reading).
 Gunney, C. H. (R. S. Sprange, Sutton).
 Gupta, D. C. (C. J. Hayward, Reading).

H

Hackney, J. C. (A. Gooch, Hull).
 Haines, N. G. (D. J. Beagent, London).
 Halfpenny, I. (J. A. Taylor, Hyde).
 Hall, C. D. (R. L. Stockill, Driffield).
 Hall, G. C. (K. D. Hutton, London).
 Hall, R. J. J. (Miss) (J. R. Tovey, Reading).
 Halliday, N. K. (G. F. Ansell, London).
 Halson, R. A. (R. H. More, London).
 Halstead, J. S. (N. Waddington, Burnley).
 Hamilton, A. J. (A. E. Donnelly, Gosport).
 Hammond, M. L. (G. D. Enticknap, Guildford).
 Hampton, N. D. (F. W. Caine, London).
 Hancock, B. (S. W. Bayliss, Aylesbury).

Hancock, M. J. (J. H. Hancock, Sheffield).
 Hancock, P. G. (R. C. Pearson, London).
 Hands, G. R. (N. H. Russell, Birmingham).
 Hannon, T. C. (W. A. Balderstone, Welling-ton, Salop).
 Hanson, D. R. (B. R. Varcoe, Bristol).
 Haque, A. U. (A. Waxman, Manchester).
 Hardaker, P. J. (E. R. Nicholson, London).
 Hardcastle, J. (F. D. Jones, Derby).
 Hare, P. C. (C. W. McCormack, London).
 Harel, J. M. (P. Sober, London).
 Hargreaves, P. K. (H. Burrows, Blackburn).
 Harmsworth, C. L. (J. Smurthwaite, London).
 Harper, D. P. (Miss) (T. V. Nuttall, Newark).
 Harrington, P. (F. W. Carter, Manchester).
 Harris, A. G. D. B. (L. R. Trean, London).
 Harris, A. J. (B. J. Randerson, Leeds).
 Harris, C. A. (R. G. Main, London).
 Harris, C. P. (L. J. Moore, Newmarket).
 Harris, S. G. (Miss) (H. W. Sydenham, London).
 Harrison, D. (W. Kirkup, Newcastle upon Tyne).
 Harrison, J. (J. C. W. Cox, London).
 Harrison, J. C. (W. N. Mason, Manchester).
 Harrison, M. A. (W. Ledger, Kingston upon Thames).
 Harrison, P. S. M. (M. F. Hudson, London).
 Hart, L. M. (L. Burgess, London).
 Hartnell, R. T. (S. Brewin, Havant).
 Harvey, A. D. (J. V. Guest, Hastings).
 Harvey-Jones, J. N. (D. S. Morpeth, London).
 Hasan, F. M. (N. W. Benson, London).
 Hasan, M. (D. Warner, London).
 Hasell, J. C. (M. C. Faircliff, London).
 Hashmy, S. S. A. H. (M. Lytton, London).
 Hasler, R. L. (R. Watson, Liverpool).
 Hasnain, F. E. (J. C. Peirson, London).
 Hatcher, A. J. (E. B. Palmer, London).
 Hatton, B. (A. Brown, Wilmslow).
 Havis, W. J. (D. O. Knight, Waltham Cross).
 Hawkins, D. R. (M. C. Harcourt, King's Lynn).
 Hawkins, P. (R. A. Etheridge, Southampton).
 Hawkins, R. F. (E. R. Hall, Stoke-on-Trent).
 Hawkins, W. J. (Miss) (D. B. Lawson, London).
 Hawthorn, P. R. (R. F. Cheesman, London).
 Hayes, G. P. (B. J. Butler, Oxford).
 Hayman, K. (B. Mortimer, Maidstone).
 Haywood, P. (R. C. P. Wheeler, Sudbury).
 Hazel, P. A. (H. W. Bradbury, Birmingham).
 Headington, M. G. (D. Sheldon, Wolverhampton).
 Heard, J. M. (J. B. Sweeney, London).
 Hedderwick, C. S. (P. L. Eynon, London).
 Heelan, M. (D. G. Armstrong, London).
 Hejmadi, V. (D. E. Church, London).
 Hellyar, B. J. (H. M. Symonds, Haverfordwest).
 Hemming, J. A. (H. B. Johnson, Dudley).
 Henderson, A. S. (B. W. James, Lewes).
 Hewitt, D. D. (J. W. Stewart, Manchester).
 Hewitt, D. N. (D. A. Fendick, London).
 Hey, S. O. C. (H. H. Williams, Lytham St Annes).
 Higgins, A. J. (J. R. B. Martin, Yeovil).
 High, J. H. (T. Ashton, Nottingham).
 Hiley, M. A. (B. M. Batty, Halifax).
 Hill, J. P. (G. Pantail, Winchester).
 Hill, K. B. (D. G. Tate, St Albans).
 Hill, L. D. F. (A. L. Barnett, Bristol).
 Hills, T. R. (K. W. Hammond, London).
 Hilton, R. T. (P. E. Franklin, Manchester).
 Hindmarch, H. C. (L. Geary, Manchester).
 Hindocha, S. V. J. (E. T. Bush, Manchester).
 Hinds, D. G. M. (J. M. Harvey, Liverpool).
 Hinton, J. K. (T. M. Rawcliffe, Newcastle upon Tyne).
 Hinton, M. A. (Miss) (H. J. D. Finchett, London).
 Hoad, G. R. (R. J. Wheeler, Tunbridge Wells).
 Hobson, G. (H. S. Stafford, Manchester).
 Hodge, A. K. (S. G. Chedgy, London).
 Hodgman, A. K. (G. Finlay, London).
 Hodgson, J. G. S. (I. F. H. Davidson, London).
 Hodgson, P. J. D. (J. R. Grenside, London).
 Holme, P. J. (J. A. Poirrette, Liverpool).
 Holmes, G. (R. D. Thomlinson, Carlisle).
 Holmes, J. F. (N. Rex, Grimsby).
 Holmes, M. (J. Rhodes, Bradford).
 Holmes, R. J. (F. J. Tombs, London).
 Holt, W. J. (K. Naismith, Manchester).
 Hood, N. R. (D. Percy, Wembley).

Hooper, A. W. (A. E. Day, Maidstone).
 Hooper, M. J. (J. B. Martin, Liverpool).
 Hope, W. A. (J. H. Gale, London).
 Hopkins, N. A. C. (M. Perkins, Bristol).
 Hopkinson, C. J. (H. W. Worboys, Ripley).
 Hornby, B. L. (Miss) (D. P. Lund, London).
 Hornby, J. B. (D. R. Chilvers, London).
 Horne, D. J. (D. J. Read, Yeovil).
 Hotston, M. J. (J. A. Heaford, London).
 Houston, J. (R. W. Morgan, Birmingham).
 Hovey, F. J. (C. J. May, Birmingham).
 Howard, P. G. (E. Royce, Manchester).
 Howard, P. V. (L. Burgess, London).
 Howard, R. F. (G. D. Cucksey, London).
 Howlader, A. B. M. A. R. (R. Freeda, London).
 Hubbard, P. H. (R. J. Green, Melton Mowbray).
 Hubbard-Ford, J. L. (D. D. Rae Smith, London).
 Hudson, D. W. (R. C. Spoor, Newcastle upon Tyne).
 Hudson, J. A. (W. H. Olivier, Sheffield).
 Hudson, V. J. (I. W. Frazer, London).
 Hughes, D. E. (J. D. Spooner, London).
 Hughes, D. F. (H. Hudson, Dudley).
 Hughes, D. J. (D. J. Rawlinson, Peterborough).
 Hughes, G. N. (C. Walkden, London).
 Hughes, S. J. (N. E. Dunning, Stoke-on-Trent).
 Humphreys, G. (H. F. J. Cadwallader, Welshpool).
 Humphries, A. S. (P. R. Cooper, London).
 Hunt, B. T. (A. D. Salmon, Wisbech).
 Hunt, C. B. (G. J. Edkins, London).
 Hunt, D. (D. L. Armit, London).
 Hunt, E. F. (H. J. Gittings, Cheltenham).
 Hunt, M. L. (G. H. Dudley, London).
 Hunter, W. R. (D. H. Kirk, London).
 Hurrell, M. D. (Miss) (T. W. Keen, London).
 Hussain, G. (L. Scott, London).
 Hussain, I. (C. W. Nield, Manchester).
 Hussain, N. (P. F. M. King, London).
 Hussain, S. I. (P. Cross, Southampton).
 Hutchinson, D. G. (J. W. Berriman, Middlesbrough).
 Huzzey, R. D. H. (N. W. Sims, Cardiff).
 Hyatt, H. A. (P. E. Kanas, Manchester).
 Hyatt, P. R. (A. Palmer, Northampton).
 Hynan, J. G. (K. N. Lloyd-Simpson, London).

I

Ibrahim, F. I. (J. D. O'Hara, London).
 Immanuel, D. H. (G. C. Peat, London).
 Inchley, R. A. (J. F. Swindell, Birmingham).
 Ingram, A. (Miss) (K. J. Milligan, Birmingham).
 Ingram, R. A. (S. J. Chubb, London).
 Iqbal, P. (S. S. Primost, London).
 Irvine, F. M. (G. N. Taylor, Newcastle upon Tyne).
 Isenwater, H. V. (S. I. Heller, Liverpool).

J

Jackson, D. A. (C. Goss, London).
 Jackson, P. (F. Collins, London).
 Jacob, A. B. (P. C. Forbes, London).
 Jacobs, J. D. (P. W. Cooper, London).
 Jacobson, P. R. (D. K. Harris, London).
 Jaffer, B. A. (S. S. Dove, London).
 Jarvis, R. P. (W. G. Pritchard, Walton-on-Thames).
 Jasani, D. N. (F. E. Wood, Manchester).
 Javadipour, L. (Miss) (D. M. Berke, Croydon).
 Jay, B. M. B. (D. H. Hodkin, London).
 Jeff, J. P. (S. W. Becker-Jones, London).
 Jeffery, K. C. (F. Jeffery, Derby).
 Jeffreys, R. (R. S. Ransom, London).
 Jelf, K. J. (J. Foster, London).
 Jenkins, D. W. (K. H. Payne, Chester).
 Jenkins, N. H. K. (R. L. Pinnock, Brighton).
 Jenner, N. (H. B. C. Smith, London).
 Jerman, J. M. (G. M. Hope, Liverpool).
 Jerrom, R. M. (A. S. Maddison, Birmingham).
 Jobanputra, A. C. (D. Hillel, London).
 John, W. S. (Sir Harold Gillett, London).
 Johnson, A. (W. A. Sutherland, Brighton).

Johnson, J. P. (G. E. Johnson, Derby).
 Johnson, J. V. (S. D. Woolf, Oldham).
 Johnson, P. B. (B. W. Taylor, Manchester).
 Johnson, P. M. (A. C. Dixon, Sunderland).
 Joicey-Cecil, J. D. E. (J. A. P. Whinney, London).
 Jones, A. Y. (S. E. Moss, East Molesey).
 Jones, C. W. (H. G. Greenacre, London).
 Jones, D. A. (I. R. Muir, London).
 Jones, M. A. (J. H. Bartley, Cardiff).
 Jones, M. A. (Miss) (W. R. Dean, Stafford).
 Jones, N. M. H. (J. P. Grenside, London).
 Jones, P. S. (G. C. B. Gidley-Kitchin, London).
 Jordan, C. K. (T. A. Macfarlane, Liverpool).
 Joshi, S. K. N. R. (L. Irvine, London).
 Jupp, V. L. (M. E. Hatch, London).

K

Kapur, C. S. (A. P. Mills, London).
 Karolia, I. A. (J. N. Jacklin, Darwin).
 Karunararatne, R. V. (Miss) (E. P. Miskin, London).
 Katzenberg, I. (E. M. Kevezhi, London).
 Keating, A. J. (H. Cohen, London).
 Kee, C. G. (H. Wadie, London).
 Kee, S. (F. Collis, London).
 Keevil, A. R. (L. J. Ive, London).
 Kemp, N. F. (R. F. May, London).
 Kempton, C. A. (Miss) (J. A. P. Whinney, London).
 Kennedy, J. M. (P. A. Robins, Hull).
 Kent, C. T. (K. A. Buxton, Nottingham).
 Keogh, A. J. (J. M. Forster, London).
 Kerr, M. J. (J. F. T. Nangle, London).
 Keymer, R. L. (A. W. Johnson, London).
 Khan, M. W. (G. Finlay, London).
 Khan, M. Y. (S. Conway, London).
 Khan, W. Y. (J. Wise, London).
 Khanna, S. C. (formerly with P. R. Hart, dec. London).
 Khatri, I. A. (S. Freeman, London).
 Khokhar, M. I. (B. R. Maughling, Hereford).
 Khoo, L. T. (E. T. Wood, London).
 King, A. A. B. (B. H. Sutton, Southport).
 King, M. A. (E. D. London, Nottingham).
 King, M. J. C. (P. L. Eynon, London).
 King, T. F. (J. K. Bellchambers, Totnes).
 Kingsley, A. (S. Ward, Letchworth).
 Kirkham, D. J. (C. Bramley, Scarborough).
 Kirkness, J. H. M. (J. D. Green, London).
 Kitching, S. (I. F. H. Davison, London).
 Knowles, P. S. (C. H. W. Sansom, Middlesbrough).
 Komolavanij, A. (Miss) (F. J. S. Williams, London).
 Kon, H. S. (M. C. Stern, London).
 Kong, C. W. (H. P. Patterson, London).
 Korn, M. G. (A. N. Homburger, London).
 Koukoulis, T. P. (L. Burgess, London).
 Kriteaman, G. A. (S. L. Prashker, London).
 Kumar, N. (R. G. Johnson, London).

L

Lakhani, R. (A. R. Woolf, London).
 Lampert, R. (M. R. Landau, London).
 Lanch, D. (L. A. Hall, London).
 Landon, J. F. (J. F. P. Griffith, Slough).
 Lane, D. L. B. (B. A. Maynard, London).
 Lane, I. A. (C. G. Bicknell, Kingston upon Thames).
 Lane, P. (Miss) (J. D. Castleman, Leicester).
 Langley, A. G. (A. S. Maddison, Birmingham).
 Lanzkron, G. G. (E. E. Sander, London).
 Lascelles, B. A. St J. (F. J. Hammond, London).
 Latham, J. R. (J. S. Pollard, London).
 Laurie, S. M. (Miss) (H. Bullard, Northampton).
 Lawrence, C. J. (H. B. T. Wilde, Birmingham).
 Lawrence, J. P. (P. E. Couze, Birmingham).
 Lawson, J. (G. R. Norden, London).
 Leahy, M. C. (E. Heginbotham, Nottingham).
 Leask, E. P. S. (E. W. Burden, Southsea).
 Lee, A. A. (H. Hockaday, Liverpool).
 Lee, C. R. (F. G. Lee, Ilkeston).
 Lee, F. D. (H. Keate, Manchester).
 Lee, S. L. (Miss) (M. D. Carr, London).

Lee-Emery, A. J. C. (G. R. Fox, London).
 Legg, S. G. (H. O. Johnson, Bath).
 Legood, C. J. (J. C. Smithers, London).
 Leney, P. T. (F. G. Rollason, London).
 Leon, R. A. (W. G. Brookes, London).
 Lewindon, K. (M. J. Jackman, London).
 Lewis, A. W. (G. F. Appleton, Liverpool).
 Lewis, B. J. (J. D. Green, London).
 Lewis, G. T. (L. W. E. Turquand, Dunstable).
 Lewis, I. S. M. (K. W. Rimmer, Swansea).
 Lewis, J. L. (I. L. Haffner, Manchester).
 Lewis, P. G. (H. S. Widgey, Hereford).
 Lewis, P. I. (R. J. Mathias, Cardiff).
 Lewis, R. P. (M. J. H. Morton, London).
 Lewis, R. P. (H. J. Ryan, Newport, Mon).
 Ley, J. (R. G. W. Pengelly, Plymouth).
 Lim, T. P. (R. D. Garner, London).
 Little, O. R. (V. N. Strevens, London).
 Littleton, R. R. (G. W. M. Phillips, London).
 Lizar, A. J. (L. R. Wilkinson, Manchester).
 Lloyd, D. (N. R. Skidmore, Wolverhampton).
 Lloyd, G. C. (P. C. Westwood, Cardiff).
 Lloyd, P. M. (M. G. Fox, London).
 Lodge, T. D. (W. A. Heap, Bradford).
 Lofting, P. (J. C. Thornley, King's Lynn).
 Long, C. J. (P. D. Cooper, London).
 Long, R. D. (S. T. Farmiloe, Birmingham).
 Lovett, R. J. (S. R. Perratt, Taunton).
 Lowe, S. D. (H. G. Pearsall, Smethwick).
 Lowry, E. H. (I. G. Watt, London).
 Lowthorpe, M. (D. A. Goate, Canterbury).
 Ludlow, P. J. (L. C. Field, London).
 Lui, A. C. S. (A. C. Vause, London).
 Lunnon, D. A. (J. R. Antoine, High Wycombe).
 Lunt, G. N. D. (A. F. Pownall, Liverpool).
 Lyddon, J. W. (P. G. Barber, London).
 Lynn, J. P. (J. F. S. Rogers, London).
 Lyons, J. A. (E. Slater, London).

M

Mabell, P. G. (D. E. Farley, Birmingham).
 McArthur, A. N. (W. A. Dodd, Manchester).
 McCann, B. J. (W. J. Bailey, London).
 McCann, I. (R. T. Parkinson, Cardiff).
 McCombie, R. B. (A. W. W. Baldwin, London).
 McCormick, M. P. (T. L. Mylechreest, Douglas, I.O.M.).
 McCormick, R. J. (B. I. Mooney, Middlesbrough).
 McCoy, P. A. (P. R. Cooper, London).
 Macey, J. D. (Miss) (A. A. F. Redwood, Bristol).
 McDanel, J. F. (J. F. T. Nangle, London).
 McDonald, P. S. (J. G. Laurence, London).
 McGeachie, A. G. (W. R. G. Weaver, London).
 McGeown, T. G. (J. W. Berriman, Middlesbrough).
 McGrath, K. P. (P. E. Couze, Birmingham).
 McHale, C. A. (A. W. Pitkin, Newton Abbot).
 MacIver, A. (H. W. Bankes, Liverpool).
 McKean, J. R. (R. B. T. Castle, London).
 Mackenzie, A. (P. H. Dwyer, Guildford).
 Mackenzie, K. S. A. M. (Miss) (A. V. Page, London).
 Mackenzie, N. R. (J. P. Kemp, Scunthorpe).
 McMillan, J. F. D. (H. W. E. Thompson, Manchester).
 McNamee, T. M. (J. V. Crump, London).
 McNaught, D. (D. F. Wadge, Newcastle upon Tyne).
 Macphail, D. B. (J. Perfect, London).
 Maddock, P. (F. Neatham, Warrington).
 Magee, S. P. B. (G. C. B. Gidley-Kitchin, London).
 Magnus, S. I. (M. Melbourne, London).
 Mailer, R. G. (O. Furnival-Jones, London).
 Maitland, I. H. (P. D. Cooper, London).
 Maltby, M. J. R. (R. E. Storer, Coventry).
 Man, L.-S. (Miss) (D. D. Mathieson, London).
 Mandalia, S. M. (S. D. Marzell, London).
 Mangiani, C. (F. P. Wilson, Manchester).
 Mann, C. S. (F. W. English, London).
 Mannan, A. (R. R. Nash, London).
 Mansell, S. J. (E. W. G. Joicey-Cecil, London).
 Manwaring, W. H. (P. J. McGuchan, Watford).
 Maples, P. H. (M. E. Roberts, Dewsbury).
 Margetts, R. G. (J. J. Wale, Swansea).
 Marks, J. (Miss) (R. P. A. Whittaker, Luton).
 Marks, P. C. (B. S. Pullan, Leeds).

Marper, W. J. (J. W. Berriman, Middlesbrough).
 Marples, R. B. (G. W. Murphy, Manchester).
 Marsden, R. J. (G. C. B. Gidley-Kitchin, London).
 Marshall, B. A. (J. M. A. Gurney, Salisbury).
 Marshall, P. G. (C. Marshall, Shrewsbury).
 Marshall, P. I. (P. J. Butler, London).
 Marsland, M. P. (B. Tomlinson, Manchester).
 Martin, N. F. (M. J. H. Morton, London).
 Martin, R. W. (D. B. Gardiner, London).
 Martin, T. (J. S. A. Peffers, Newcastle upon Tyne).
 Martlew, R. (I. L. Clift, Swinton).
 Masani, M. P. (I. W. Frazer, London).
 Mascarenhas, V. A. (L. H. Fink, London).
 Maskall, A. H. (J. O. R. Darby, London).
 Massey, R. C. (A. F. Pownall, Liverpool).
 Master, S. C. (G. H. Scott, Leeds).
 Matheson, R. M. (J. C. Cox, London).
 Matheson, T. E. G. (G. E. Morrish, London).
 Matthews, J. P. (D. F. A. Davidson, London).
 Mattock, N. (C. H. I. Chown, Ilford).
 Maunders, M. D. (K. J. Rowe, Guernsey, C.I.).
 May, G. F. M. (W. G. K. Carter, London).
 Meadows, C. J. (M. C. Roberts, Liverpool).
 Meakes, A. D. (N. F. Pennington, Ipswich).
 Meghji, A. G. (R. J. Norton, London).
 Meghji, A. J. (G. Woolfe, Manchester).
 Mehra, A. M. (J. L. Norton, London).
 Mehta, F. D. (A. W. Toze, London).
 Mehta, P. K. (E. N. Jacobs, London).
 Mellows, J. S. (L. W. Moscrop, London).
 Melville, A. J. (J. J. Nicholson, Derby).
 Mendis, M. T. S. (R. Joseph, London).
 Mercer, P. M. (M. Shirley-Beavan, London).
 Merriman, D. T. (E. T. Shepherd, Cardiff).
 Metcalf, C. M. (D. F. Pratten, London).
 Michel, P. W. (C. G. Pile, Jersey, C.I.).
 Miles, V. (W. O. Crossley, Manchester).
 Miller, R. S. C. (G. St C. Wycherley, Wolverhampton).
 Mills, R. (D. A. Smith, Wolverhampton).
 Mills, R. E. (T. R. Keens, Luton).
 Milne, D. C. (H. G. P. Greenwood, London).
 Milner, J. W. (I. G. Watt, London).
 Mitchell, J. L. S. (H. C. Cussons, Liverpool).
 Mitchell, T. C. (F. W. Hollingsworth, York).
 Mitchener, B. E. (J. Bromley, Southampton).
 Mitra, K. (R. J. Holbrook, London).
 Mitra, R. S. (V. Sklar, London).
 Modasia, C. J. (M. J. Goldburgh, London).
 Modi, D. J. (S. Tuckman, London).
 Mody, R. J. (N. W. Benson, London).
 Mogford, S. J. (W. A. Hand, London).
 Mohammed, A. A. (N. V. Israel, London).
 Montgomery, I. D. (A. E. Spicer, London).
 Moore, A. R. (G. M. Smith, London).
 Moore, C. M. (M. R. Harris, London).
 Moore, D. J. (J. G. Adams, Grimsby).
 Moore, J. F. (J. P. Summers, London).
 Morgan, A. P. (A. J. Smee, London).
 Morgan, K. F. (J. Pattinson, Winchester).
 Morgan, N. (H. M. Ireland, Cardiff).
 Morgan, T. A. R. (F. L. Cooke, London).
 Moriarty, J. (J. C. MacGregor, Liverpool).
 Morison, N. H. (B. A. Maynard, London).
 Morley, B. K. (J. S. Weyman, London).
 Morley, T. G. (D. G. Parris, Nottingham).
 Morrell, C. C. J. (A. A. Davies, Birmingham).
 Morrell, O. C. (R. Morrell, Bradford).
 Morris, B. H. (T. Ball, Liverpool).
 Morris, R. M. (Miss) (D. F. Perkins, Birmingham).
 Morrison, R. F. (N. Minty, Oxford).
 Morrow, M. C. S. (I. G. Watt, London).
 Morton, J. E. (N. W. Kermode, Liverpool).
 Morton, R. D. (J. S. A. Peffers, Newcastle upon Tyne).
 Moser, R. A. S. (P. R. Cooper, London).
 Moshi, H. L. (L. J. Culshaw, London).
 Moss, L. D. (E. L. Langton, London).
 Motamedi, I. (M. Marks, Leeds).
 Mughal, M. I. (H. P. Green, London).
 Mulvey, P. R. (J. F. Shuttleworth, London).
 Murphy, A. W. (H. F. Thompson, London).
 Murray, J. C. (B. A. Maynard, London).
 Myland, R. E. C. (F. H. Turner, Lincoln).

N

Narasimhan, M. G. (M. C. G. Ouston, London).
 Nasim, K. A. (A. Slavin, London).
 Neale, D. R. (P. V. Wheeler, Shrewsbury).
 Neil, R. G. (F. G. Rollason, London).
 Nelson, J. C. (H. Percival, Manchester).
 Neophytou, S. (I. MacFarlane, London).
 Netto, W. A. (R. E. Spenser, London).
 Neville, R. D. (R. G. Moorcraft, London).
 Newland, M. W. (J. S. Bradley, London).
 Newman, P. T. L. (A. G. Herron, London).
 Newton, I. G. (F. W. English, London).
 Newton, J. S. (J. F. Berringer, Bromley).
 Nicholls, D. E. (W. A. Jenkyn-Jones, Newport, Mon).
 Nickols, C. A. (L. S. Daniel, Taunton).
 Noble, F. S. (H. G. Jefferies, Langport).
 Nolan, J. A. (R. J. Eagle, London).
 Noor, S. H. (S. A. Ash, London).
 Noronha, J. S. N. (L. Stockman, London).
 Norris, R. A. (J. D. W. Marle, Bristol).
 Nosrat-Mozaffari, M. (D. A. Smith, Manchester).
 Nunn, J. L. (H. F. Inkpen, London).
 Nunns, E. R. W. (A. N. Hollis, London).
 Nuttall, R. I. (W. E. Quance, Birmingham).
 Nuttall, W. E. (J. K. Patrick, Sheffield).

O

Odiase, V. O. (A. C. Style, Brighton).
 Ogundairo, O. (W. Simson, London).
 Ojike, I. (H. R. Elliott, Worthing).
 O'Keefe, T. E. (B. H. Williams, Bristol).
 Ollis, J. R. (C. Cantor, London).
 Onana, M. M. (C. E. Hubbard, Aldridge).
 Onukogu, H. E. (J. D. H. Cullingham, London).
 Onuorah, C. N. (A. J. Burden, Manchester).
 Orme, J. D. (L. W. Robson, London).
 O'Rourke, W. M. C. (G. P. Shepherd, London).
 Osborne, D. A. (T. H. Trump, Cardiff).
 Osborne, D. E. (B. Halpern, Manchester).
 Osborne, I. M. (I. G. Watt, London).
 Ow, F. S. (J. D. Christie, London).
 Owen, R. E. (W. G. Frazer, London).
 Owen, R. G. (C. G. W. Blathwayt, Bath).
 Owers, D. J. (C. E. M. Emmerson, London).

P

Pacey, A. C. (A. H. Crumpton, Hull).
 Page, C. R. (E. W. G. Joicey-Cecil, London).
 Palau, G. M. (D. B. T. Lattey, London).
 Palmer, P. W. J. (D. B. Newman, Twickenham).
 Parker, M. D. (H. Baldwin, Manchester).
 Parker, R. A. (K. R. Stanley, Carnforth).
 Parkin, A. C. (H. Kershaw, Sheffield).
 Parkin, I. M. (G. P. Stevens, London).
 Parkinson, J. A. (H. W. Southworth, Preston).
 Parkinson, R. M. (J. R. Dove, Northampton).
 Parkinson, R. P. (H. J. Wells, London).
 Parmiter, A. de C. (E. G. Barratt, London).
 Parrish, M. J. (M. A. Citroën, London).
 Pasha, I. (N. Davies, London).
 Pasricha, N. (C. J. Wareham, London).
 Patel, M. B. (N. Fetterman, London).
 Patel, R. A. (M. R. Jackson, London).
 Patel, R. S. (S. Dias, London).
 Patel, S. R. (D. F. Collins, London).
 Paterson, J. Y. (J. D. Donovan, London).
 Paul, A. F. (D. Garrett, London).
 Paul, J. B. (P. D. Cooper, London).
 Paul, S. (A. R. Johnson, London).
 Paul, S. (W. R. Malvern, London).
 Payne, A. S. R. (R. F. Holloway, Nottingham).
 Payne, G. J. (R. B. Moss, London).
 Pearce, T. J. S. (G. H. Vieler, London).
 Pearson, J. K. (J. Perkins, Harrogate).
 Pearson, M. K. (M. H. Parkin, Sheffield).
 Pearson, R. P. (F. W. English, London).
 Pedelty, M. K. (G. E. Goodchild, Ipswich).
 Penfold, R. J. (B. J. Magness, Littlehampton).
 Pennington, M. R. (T. A. Macfarlane, Liverpool).
 Penrose, J. S. (P. C. G. Larking, Maidstone).

Perera, J. R. (G. B. Bunker, London).
 Perkins, C. A. (R. G. W. Walker, London).
 Peters, C. (E. N. Revell, Huddersfield).
 Peters, J. C. (L. H. Norman, London).
 Philip, G. A. (E. N. F. Foster, Bridlington).
 Phillips, G. H. G. (R. A. Stevens, Wolverhampton).
 Phillips, M. D. J. (A. B. Lucas, London).
 Philp, D. M. (P. E. Couse, Birmingham).
 Phipps, M. P. (Miss) (P. Lansberry, Horsham).
 Pickance, R. J. M. (J. S. Sayer, Birmingham).
 Pickard, H. A. (G. O. W. Pickard, Leeds).
 Piddington, R. (P. J. Hawker, London).
 Pidsley, R. A. (D. Mullins, Exeter).
 Pike, G. M. (J. E. R. Fischer, Liverpool).
 Pinnell, C. J. (J. G. Laurence, London).
 Pinney, M. (R. W. C. Dunn, Birmingham).
 Pitcher, A. J. (W. Proctor, Barrow-in-Furness).
 Platt, J. L. (S. J. D. Corsan, London).
 Plowden, The Hon. F. J. (Sir Henry Benson, London).
 Plummer, D. (B. N. Brooks, Sheffield).
 Polehampton, H. E. (J. L. Read, London).
 Pollard, D. I. (B. J. M. Boys, London).
 Pollard, M. B. (W. B. S. Walker, London).
 Polledri, M. A. G. (H. Peat, London).
 Pollock, D. F. (P. C. Hogan, London).
 Pontin, A. J. (N. Foulger, London).
 Popat, K. D. (A. B. Riddle, London).
 Portis, A. R. (T. W. Keen, London).
 Postings, A. (G. A. Barber, Hyde).
 Postlethwaite, D. (B. R. Oury, Maidenhead).
 Potter, B. N. (P. L. F. Grant, Manchester).
 Powell, D. R. G. (J. Seymour, London).
 Pratt, K. J. (R. Bailey, Evesham).
 Pringle, C. R. N. (F. G. Rollason, London).
 Prior, G. (G. A. Raymond, Tunbridge Wells).
 Prior, T. A. (L. Ogden, London).
 Pritchard, J. N. D. (M. L. Homer, Kidderminster).
 Probert, L. J. (M. T. Crane, London).
 Prodromou, A. (J. W. Schollar, Birmingham).
 Prosser, R. (W. E. Mace, Bridgend).
 Pullan, D. J. S. (R. C. Calvert, Leeds).
 Purcell, R. B. A. (A. G. B. Burney, London).
 Purvis, D. R. (J. C. Banfield, Yeovil).
 Pycock, B. E. (T. E. Swancott, London).

Q

Quinnen, P. J. (P. J. Butler, London).

R

Rahim, M. I. J. (R. F. Clark, London).
 Rahman, M. (N. Tree, Southend-on-Sea).
 Rahman, Q. M. (A. P. Bearman, London).
 Rajaratnam, V. (P. C. Rutland, Croydon).
 Rambocus, B. (H. G. J. Foulger, London).
 Ramji, F. G. (L. S. Fenton, London).
 Ramu, C. (F. E. Rowland, London).
 Randag, C. H. (M. R. G. Cory-Wright, London).
 Raphael, T. P. (L. L. Lawrence, London).
 Rapkin, D. E. (V. F. Berry, London).
 Rashid, J. (H. S. Widgey, Hereford).
 Raye, D. G. (W. A. Byars, London).
 Rebbeck, B. (E. W. C. W. Bailey, Belfast).
 Redburn, B. T. (N. G. Phillips, London).
 Redfern, B. (A. D. Gordon, London).
 Redway, N. (A. P. Hughes, London).
 Reed, J. (M. E. Smith, London).
 Rees, A. G. (E. H. Price, Gloucester).
 Reid, G. C. (C. R. Williams, London).
 Reynolds, C. G. (G. C. Hart, Folkestone).
 Reynolds, D. J. (M. Benjamin, London).
 Reynolds, D. S. (A. T. How, London).
 Rhead, C. K. (A. S. Masters, London).
 Richards, A. W. (E. W. Coleman, London).
 Richards, E. P. (K. H. Payne, Chester).
 Richards, R. M. P. (R. Curzon, Colchester).
 Richardson, J. M. (W. G. Densum, London).
 Richmond, M. P. (H. D. J. Haines, Hereford).
 Riddle, G. H. (R. L. Mills, Newcastle upon Tyne).
 Riddle, R. K. (P. C. G. Larking, Maidstone).
 Ridge, P. J. M. (T. G. Gobat, Hereford).
 Rivett, N. W. (R. Curzon, Colchester).
 Roberts, J. M. S. (M. R. Frankel, London).

Roberts, M. (R. Walker, Manchester).
 Roberts, S. C. (J. M. Keeping, Dorchester).
 Robinson, A. J. (A. N. Crossley, Stockport).
 Robinson, C. F. (K. W. Johnson, London).
 Robinson, J. R. (J. R. C. Weber, Cardiff).
 Robinson, M. G. D. (J. T. Corbett, London).
 Robotham, A. M. (Miss) (R. S. Bastow, Havant).
 Robson, E. M. W. (D. D. Rae Smith, London).
 Robson, G. J. (G. S. Bruning, London).
 Robson, M. G. (N. Kirkham, Wolverhampton).
 Robson, N. E. (P. G. Hounsfeld, London).
 Rogers, C. R. (J. H. Mason, Leeds).
 Rogers, D. A. J. (C. W. Puckett, Torquay).
 Rohan, D. C. R. (C. E. M. Emmerson, London).
 Rohatgi, P. K. (L. A. Hall, London).
 Rood, D. L. (P. J. R. Bowen-Jones, Cardiff).
 Rosenberg, D. J. (R. D. Taylor, London).
 Roshier, C. E. (D. C. Burling, London).
 Ross, A. (K. W. Johnson, London).
 Ross, A. R. W. (D. J. James, London).
 Ross, L. S. (M. B. Kershen, London).
 Roston, P. J. (P. E. Whittaker, London).
 Round, K. W. (W. J. L. Tink, Birmingham).
 Rowsell, D. W. (C. E. Garratt, Birmingham).
 Roxburgh, G. R. (H. D. Waller, Newcastle upon Tyne).
 Roy, A. (H. G. K. Vowles, London).
 Ruckin, A. S. (Miss) (N. M. Cival, London).
 Russell, J. O. (G. L. Blake, Gt Yarmouth).
 Russell, M. A. (D. F. Pratten, London).
 Ryland, C. M. (J. C. W. Cox, London).

S

Sabzwari, W. A. (D. C. Dietz, London).
 Sadler, W. H. G. (A. T. Spittle, London).
 Sagar, P. (N. J. Wigley, Birmingham).
 St Quintin, G. (F. S. Bray, London).
 Saith, V. K. (P. H. C. Hamilton, London).
 Saleem, M. F. (E. M. Goodman, London).
 Saleemullah, A. M. M. (G. Woolfe, Manchester).
 Salford, C. P. (A. A. Davies, Birmingham).
 Salmon, S. J. (G. G. Weinberg, London).
 Salter, K. J. (P. S. Lane, London).
 Sampson, B. H. D. (R. Grimble, London).
 Samuel, G. H. (S. M. Duncan, London).
 Samuels, D. (J. P. C. Richardson, London).
 Sanchez, L. M. (F. I. Read, London).
 Sanders, P. H. (B. R. Hartley, Nottingham).
 Sanderson, A. J. (A. V. J. McLaren, London).
 Sarker, A. R. (N. N. Pampel, London).
 Sattar, Z. A. (S. S. Primost, London).
 Saunders, C. J. (B. L. C. Cayless, London).
 Saunders, G. C. (J. L. Norton, London).
 Saunders, M. H. (R. N. Curwin, London).
 Savage, C. A. (Miss) (R. J. Savage, Worcester).
 Sayers, R. A. (E. C. Godfrey, Leicester).
 Scott, D. J. (W. D. Rothenburg, London).
 Scott, J. (J. A. Whittaker, Folkestone).
 Scott, J. (K. W. Johnson, London).
 Scott, J. B. (R. A. Douglas, Manchester).
 Scott, N. E. (M. A. Wren, Southend-on-Sea).
 Scott, P. A. S. (A. H. Farquhar, London).
 Scott, P. B. (R. C. Fripp, London).
 Scott, R. J. (T. G. Wood, Manchester).
 Scrimgeour, G. V. (D. F. Pratten, London).
 Seager, P. N. (J. R. Moyle, Ipswich).
 Sedgwick, C. J. (J. G. Laurence, London).
 Seeff, G. M. (S. M. Marks, London).
 Seevaratnam, R. (A. W. Baldwin, London).
 Selvaratnam, R. (D. A. Webb, London).
 Senbanjo, G. O. O. (L. Myers, London).
 Sevtitt, P. A. (D. J. Appleton, Birmingham).
 Sexton, B. (G. H. Wagstaff, London).
 Shah, J. V. (R. G. Bell, Oxford).
 Shah, K. D. K. (R. Nathan, London).
 Shah, S. C. (E. K. Vaughan, London).
 Shahabi, A. K. (J. T. Corbett, London).
 Shanbury, C. E. (E. J. C. Bell, London).
 Shanmuganathan, A. (W. Ward, London).
 Share, S. R. S. (L. Litkin, London).
 Sharma, A. K. (J. N. Richardson, London).
 Shaw, M. G. B. (R. K. Briscoe, London).
 Shepherd, R. C. (P. J. Butler, London).
 Shimmin, C. J. (W. A. Crowe, Douglas, I.O.M.).
 Shipley, D. C. (J. C. W. Cox, London).
 Shortt, M. B. (G. C. B. Gidley-Kitchin, London).

Sibtain, S. A. (J. R. Y. Madeley, Birmingham).
 Siddiqui, G. A. (J. H. Grove, London).
 Siddiqui, B. A. (S. H. Cooper, Wallington).
 Sidlow, D. (A. M. Baker, Wolverhampton).
 Silver, M. S. (H. C. Rudolf, London).
 Silver, R. B. (L. I. Finn, London).
 Simmonds, B. J. (A. H. Byrne, London).
 Simon, D. G. (G. H. Dudley, London).
 Simpson, G. M. (Miss) (H. North, Cleckheaton).
 Sinclair, D. M. (R. S. Colwill, London).
 Sinclair, J. B. M. (T. A. Wyatt, Bath).
 Sinclair, R. (D. S. Cross, Kidderminster).
 Sindhu, A. M. (H. D. J. Haines, Hereford).
 Singh, V. (D. A. Twogood, London).
 Singleton, K. H. (D. G. Bendall, London).
 Sivanandaraja, K. (S. Sherwood, Croydon).
 Skelding, N. R. (D. N. Williams, Birmingham).
 Skilbeck, N. S. (M. C. Norwood, Durham City).
 Skinner, J. B. (D. G. Dedman, London).
 Slack, C. (Miss) (B. C. Berkinshaw-Smith, London).
 Slade, R. J. (W. E. Fordham, London).
 Slater, J. S. (J. H. Rodger, Sheffield).
 Smart, C. J. (M. W. Rosser, Swansea).
 Smith, A. B. (D. H. Sandry, Birmingham).
 Smith, A. J. (R. C. R. Henderson, London).
 Smith, B. S. (H. J. Patience, London).
 Smith, D. J. (J. W. Berriman, Middlesbrough).
 Smith, D. P. (D. P. Davis, Nottingham).
 Smith, G. C. F. (T. H. Shore, Walsall).
 Smith, J. B. (G. R. Postlethwaite, Doncaster).
 Smith, P. F. (R. G. Tilley, London).
 Smith, P. J. (F. C. Parslow, London).
 Smith, R. G. (K. R. Mackenzie, Liverpool).
 Snelling, R. H. (E. J. Wadley, London).
 Somers, R. (L. R. Treen, London).
 Sood, V. K. (A. S. Gordon, London).
 Souster, P. J. R. (H. Peat, London).
 Southwood, D. (J. Smurthwaite, London).
 Sowerby, D. R. (J. P. C. Richardson, London).
 Sparkes, R. J. (A. T. Brain, Hereford).
 Speller, D. C. (J. E. R. Vellacott, London).
 Spelman, B. M. (I. H. Handley, Winchester).
 Spenceley, J. (N. Tomblin, Ilkley).
 Sprague, P. S. (F. E. Proom, Newcastle upon Tyne).
 Spriggs, A. (H. S. Rose, London).
 Spruce, J. M. (Miss) (N. R. Skidmore, Wolverhampton).
 Spurgeon, G. (J. P. Grenside, London).
 Srivastava, D. (M. J. Bowman-Vaughan, London).
 Stabbins, D. H. (G. H. D. Evans, Weston-super-Mare).
 Stamps, B. K. (P. C. Lodge, Rotherham).
 Stanlake, H. J. (H. J. Solomon, St Austell).
 Stansfield, D. J. (D. D. Kidson, Manchester).
 Star, S. G. (H. K. Gordon, London).
 Stead, A. G. (J. Rampton, Reading).
 Steel, J. H. (R. G. Carter, London).
 Steele, M. D. (R. M. M. McLaren, London).
 Steinberg, A. M. (H. Wadie, London).
 Stephens, A. C. (J. T. Kinsley, Windsor).
 Stevens, C. P. (D. H. Dunn, Exeter).
 Stevens, G. E. (D. B. Lye, Folkestone).
 Stevens, I. J. (W. H. Green, Southampton).
 Stewart, A. H. (H. P. Patterson, London).
 Stewart, R. G. (M. J. Goldburgh, London).
 Stibbs, P. A. (F. L. Smith, Redruth).
 Stitt, I. P. A. (J. P. C. Richardson, London).
 Stockley, T. R. (D. L. Crook, Dorchester).
 Stokes, J. (E. B. Whitehouse, Walsall).
 Stone, J. D. (J. Portergill, Banbury).
 Stoneley, A. W. (J. R. Hill, Liverpool).
 Strachan, L. M. (S. G. Prime, London).
 Stride, J. D. (C. R. K. Mace, London).
 Strong, S. (F. R. Dixon, Leicester).
 Strong, S. D. McG. (J. Heaford, London).
 Sugden, E. J. (N. G. Thomas, Swansea).
 Suhrwardy, M. A. N. (R. F. Penney, London).
 Sutcliffe, D. S. (J. R. Haworth, Accrington).
 Sutcliffe, R. E. (R. E. Wagstaff, Stevenage).
 Sutton, A. J. (D. W. Eckersley, Manchester).
 Sutton, M. P. (D. R. Branson, Rotherham).
 Sutton, R. G. (W. A. Bolton, Manchester).
 Swain, C. J. (R. C. Remington, London).
 Swainston, S. A. (H. T. Ogden, Cheltenham).
 Swales, J. W. (G. C. W. Blathwayt, Bath).
 Swann, A. B. (J. Halton, Bedford).
 Swannack, J. (S. S. Shaw, London).
 Sweet-Escott, M. E. B. (R. A. F. Hews, Worthing).

T

Taberner, N. (J. C. W. Cox, London).
 Tambyrajah, W. C. S. (G. Selby, London).
 Tamuri, S. U. (D. W. T. Bruce, London).
 Tan, E. K. (Miss) (J. F. Taylor, London).
 Tan, P. K. L. (H. N. Wylie, London).
 Tapp, M. (B. P. Hegarty, London).
 Taylor, B. G. (A. T. Spittle, London).
 Taylor, P. (P. J. Butler, London).
 Taylor, R. C. J. (E. D. Cox, Birmingham).
 Taylor, R. N. (D. A. Eteson, Keighley).
 Taylor, W. G. (T. B. M. Roberts, London).
 Taylor-Dickson, J. D. S. (T. J. Williams, Oxted).
 Teare, P. D. (J. A. C. Bental, London).
 Temlett, J. C. (R. Garner, Twickenham).
 Tempest, D. B. (J. N. Clarkson, Bradford).
 Teo, D. C. T. (J. C. Smethers, London).
 Teo, G. E. K. (P. F. M. Shewell, London).
 Thei, J. A. (H. M. Thei, London).
 Thomas, B. (J. Rafferty, Cancock).
 Thomas, C. H. (L. C. Winterton, London).
 Thomas, G. (P. J. Stilling, London).
 Thomas, M. R. N. (D. G. Tate, St Albans).
 Thomas, P. J. N. (H. Hebblethwaite, Sheffield).
 Thomas, T. G. C. (A. H. Farquhar, London).
 Thomason, D. V. (J. H. L. Bell, Chelmsford).
 Thompson, D. D. (E. Green, Leeds).
 Thompson, G. (P. H. Dwyer, Guildford).
 Thompson, G. F. (R. G. Johnson, London).
 Thompson, P. (B. J. A. Lowe, London).
 Thomson, C. N. (M. Mansbridge, London).
 Thorpe, P. (A. J. H. Booth, Nottingham).
 Thorpe, P. J. (J. M. Hunt, Lincoln).
 Tilley, B. D. M. (A. Adamson, Glasgow).
 Timmins, J. I. (Miss) (N. A. Handley, Wolverhampton).
 Timms, C. G. (C. G. Brown, London).
 Timson, N. G. (R. B. Dixon, Birmingham).
 Tipler, R. J. (J. E. F. Norton, Northampton).
 Tipple, M. R. (H. Gould, London).
 Tisdale, C. R. (K. Sankey, Coventry).
 Tobin, B. J. (G. A. Molineux, London).
 Todd, A. M. (K. E. Carr, Chelmsford).
 Todd, G. D. S. (F. W. English, London).
 Todman, K. M. (P. H. Bevan, Shrewsbury).
 Tolhurst, P. F. (P. J. Simmonds, Haywards Heath).
 Tomlinson, A. F. (J. A. Butterfield, Leicester).
 Topliss, J. M. (G. H. Evans, Bilston).
 Topping, D. C. W. (D. Wilkinson, Lancaster).
 Tozer, R. E. (G. L. A. Davis, London).
 Tranter, J. (H. Tranter, Oakengates).
 Travers, A. H. (J. B. Morewood, Chester).
 Trevor, P. M. (L. H. Cohen, London).
 Tromans, P. C. (A. W. Johnson, London).
 Trotter, D. J. (G. J. Howe, London).
 Tucker, N. H. (M. J. Birkett, London).
 Tuqan, U. J. (F. J. S. Williams, London).
 Turner, C. T. P. (B. A. Kemp, London).
 Turner, J. C. (A. Lish, Sunderland).
 Tushingham, G. D. (S. E. Clear, Bedford).
 Tyers, G. S. (E. R. Longman, Leeds).

U

Uddin, M. R. (D. F. Gay, London).
 Umpleby, A. J. (J. N. Clarkson, Bradford).
 Undre, M. (B. I. Freedman, Cardiff).
 Upton, R. A. (R. Hall, Preston).

V

Van Colle, I. (C. A. S. Pain, London).
 Van Pelt, C. G. S. (A. L. Low, London).
 Varley, M. (R. Garthwaite, Leeds).
 Ventham, P. A. (J. R. F. Williamson, London).
 Verinder, A. L. (T. White, Liverpool).
 Verney, F. C. (W. H. Galloway, Hull).
 Vincent, J. D. (F. C. Nelson, London).
 Vinnicombe, E. (formerly with T. G. W. Luscombe, dec. Newton Abbot).
 Vivian-Griffiths, J. T. (D. E. Waters, Monmouth).
 Vowles, M. (R. Bentley, Southampton).

W

- Wagstaff, A. G. (A. E. Whitcomb, London).
 Wahnnon, J. (B. Trent, London).
 Waits, J. R. (G. R. Hawkes, London).
 Walji, M. (E. C. Greenbury, London).
 Walker, J. A. (T. Bottomley, Bradford).
 Walker, J. W. (J. H. D. Leeke, Pontypridd).
 Walker, O. F. (L. Ogden, London).
 Walker, P. D. (J. K. R. Jones, Birmingham).
 Wall, D. J. (M. E. Beadon, London).
 Waller, J. M. (R. Gaukroger, Birmingham).
 Walsh, A. S. L. (M. G. Crawford, Leeds).
 Ward, A. W. H. (K. R. Stanley, Lancaster).
 Ward, D. R. (W. Procter, Barrow-in-Furness).
 Ward, P. J. (G. H. Pakeman, Bristol).
 Ward, P. J. E. (A. W. W. Baldwin, London).
 Warren, D. P. (D. H. E. Kahn, London).
 Warry, P. St J. (R. L. Jones, London).
 Watson, N. J. (W. A. T. Matheson, London).
 Watt, R. G. (J. Williamson, Carlisle).
 Watts, P. R. (N. R. Mann, London).
 Webb, D. G. (F. D. Jeffries, Walsall).
 Webb, M. (R. McNeil, Hove).
 Webb, P. A. (J. R. P. Broadhouse, West Bromwich).
 Wee, H. N. (R. D. Garner, London).
 Welch, A. J. (W. G. K. Ames, Newbury).
 Welch, E. M. (A. S. Owen, Bristol).
 Weldon, S. W. P. (R. D. Thomlinson, Carlisle).
 Weller, R. (J. D. Beaney, Hastings).
 West, C. R. (J. H. Wood, Bishop Auckland).
 West, P. D. (G. R. Bolton, Rugby).
 Westbury, P. (M. A. Braham, London).
 Westerby, R. T. (T. R. Moore, Nottingham).
 Westinghouse, T. A. (T. R. Cubitt, London).
 Weston, J. R. (R. W. Aitken, London).
 Westwood, J. K. (S. J. Richards, Wolverhampton).
 Wetherhill, C. (A. F. Sergeant, Leeds).
 Wheatley, M. R. (A. J. Donovan, London).
 Wheawell, M. A. (A. L. Percival, Manchester).
 White, C. J. A. (J. E. K. Clarke, London).
 White, R. A. (J. W. Hawkins, Normanton).
 Whitehouse, C. R. (R. H. Wall, Birmingham).
 Whitmore, K. A. (W. A. Hickling, Nottingham).
 Whitfield, R. I. (C. Geipel, Birmingham).
 Whittaker, R. C. M. (W. L. Dunn, Nottingham).
 Wickham, R. P. (N. R. Ashman, Guernsey, C.I.).
 Wilcock, R. (E. Bentley, Dewsbury).
 Wilcox, D. G. (R. A. Miller, Cambridge).
 Wilcox, R. P. (W. L. Barrows, Birmingham).
 Wildridge, F. I. (F. J. Hollway, Birmingham).
 Wilkerson, A. B. W. (K. J. d'A. Mason, Birmingham).
 Williams, C. D. (H. Morland, Liverpool).
 Williams, G. D. (A. F. Pownall, Liverpool).
 Williams, G. J. (J. P. M. Thompson, London).
 Williams, G. W. (P. G. Gadd, Colwyn Bay).
 Williams, H. (R. M. H. Read, Cardiff).
 Williams, H. M. (G. E. Morrish, London).
 Williams, M. (J. M. Lamb, Cardiff).
 Williams, P. (K. H. Rich, Lytham St Annes).
 Williams, P. J. (C. W. Blagg, Stafford).
 Williams, R. G. (H. Tuckey, Birmingham).
 Wilson, J. (K. Russam, Bradford).
 Wilson, J. F. (Miss) (W. J. Dymott, London).
 Wilson, P. H. (W. G. Brookes, London).
 Windle, D. M. (R. O. Robinson, London).
 Winston, A. J. (B. H. Armitage, Leeds).
 Winter, M. F. (H. G. Sergeant, Hull).
 Withers, J. R. T. (E. G. Wilcox, Birmingham).
 Withey, D. T. (C. H. Smith, Birmingham).
 Wong, L. T. (Miss) (A. H. Nelson, Wolverhampton).
 Wood, D. T. (R. Piercy, Birmingham).
 Wood, M. A. J. (N. Minty, Oxford).
 Woodhouse, G. H. (D. E. Farley, Birmingham).
 Woodrow, P. A. (N. B. Smith, Bradford).
 Woodward, G. J. (C. B. Wulcko, London).
 Woolley, D. G. N. (G. B. C. Hughes, London).
 Woon-Sam, L. A. (J. C. Glencross, London).
 Wormald, R. L. (J. M. Galt, Darlington).
 Worthington-Eyre, R. (M. A. Charlton, London).
 Worwood, D. L. (P. I. Addison, Birmingham).
 Wright, M. C. (J. B. Sanderson, Ipswich).
 Wright, R. (E. J. Danbury, London).

Y

- Yap, H. F. S. (B. R. Cahill, Leeds).
 Yates, R. (D. E. Schonhut, London).
 Yee, C. K. W. (M. Cutner, London).
 Yellin, S. D. (M. A. S. Kay, Leeds).
 Yemm, A. V. (Miss) (A. G. Whalley, Manchester).
 Yeoh, E. H. (M. Plant, London).
 York, A. R. (W. E. Willis, Leicester).
 Young, D. (B. H. Edwards, Grimsby).
 Young, N. (P. L. Wood, Leeds).
 Young, P. A. (D. J. Pugh, Pontypridd).

Candidates passed 1,380. Candidates failed 1,196.

THE ACCOUNTANT

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Drugs, Costs and Profits

THERE can be little doubt that the report of the Committee of Inquiry into the Relationship of the Pharmaceutical Industry with the National Health Service 1965–66 (Cmd 3410. H.M.S.O. 17s 6d) will attract considerable attention from the Press and public. Drugs are news, just as the question of charges for prescriptions is a lively political issue.

Nevertheless, neither of these two aspects of the report of the committee under the chairmanship of Lord SAINSBURY – including among its members Mr J. D. RUSSELL, M.A., F.C.A. – is as important as the basic problem with which the committee is concerned. This is the relationship in a mixed economy where a Government monopoly, in this case the National Health Service, has to deal with a number of firms in the private sector. The costing and pricing of drugs is precisely the same, in principle, as the pricing of aircraft which in the recent past has so exercised the Public Accounts Committee.

The problem in both industries is similar, i.e. that production cannot start until heavy research costs have been incurred. What should be the rate of return on capital employed in a highly competitive industry, both national and international, which depends largely on the successful marketing of drugs based on extremely expensive research? Is the rate of 50 per cent and more attributed to three firms excessive? Does this merit the charge that the N.H.S. has been exploited by excessive prices to the extent of several million pounds?

The report makes many points with which any accountant or business man would agree. It recognizes the effectiveness of competition in the market place. It recognizes that when the public pays not a penny piece directly for the drugs it consumes, and doctors are not restricted in the type of drug they prescribe, the N.H.S. has virtually an open-ended financial commitment.

The real question is whether the committee's proposals to strengthen competition by eliminating factors which create new monopoly conditions are likely to prove effective. For example, will the shortening of the fifteen-year patent rights, any more than changes in the Trade Marks Act, make so much difference?

Of special interest to any accountant or firm dealing with Government departments are the committee's proposals for controlling costs and prices. For any specified product the committee recommends that the Ministry should request from the producer a standard cost return. The same type of return is to be provided for all new medicines. Prepared on the basis of anticipated annual

volume of sales, the return should disclose the margin of profit and the proposed selling price. In addition, it is proposed that each firm manufacturing N.H.S. medicines should submit an audited annual financial return.

The Ministry would then prepare its own estimates of costs to be compared with the standard cost returns and should negotiate the prices of medicines on that basis and in the light of the successive financial returns of the firm concerned. The Ministry, it is proposed, would have powers to examine the firm's costs on any product in detail.

Not surprisingly, the companies concerned are not impressed with such proposals, since nowhere does the report explain what are the criteria to be used in determining whether profits are 'reasonable' or 'excessive'. This is the 64,000-dollar question which arises in any monopoly situation.

While the committee reject nationalization, it is obviously concerned by what is known as the 'wastes of competition'. It notes the overlap in research, the duplicate testing of products, and it recognizes that a centrally-administered collective research centre could cut such costs. But in an industry as competitive as this, what logic is there in such a scheme? The whole point of research is ultimately to produce a more profitable product before one's competitors. This is what competition is about.

Frankly, the Sainsbury Report hardly begins to provide practical answers to the several problems it raises. The committee deserves credit, however, for making a genuine effort to incorporate the efficiency and drive of free enterprise with the protection of the consumer, i.e. the State. Unfortunately the State is not always the best judge in its own cause.

COMPANIES ACT 1967

Disclosure by Directors – IV

SECTION 31 of the Companies Act 1967 extends section 27 (1) and the rules of interpretation in section 28 to spouses and children of directors. Section 31 (1) provides that for the purposes of section 27 an interest of the wife or husband or infant daughter or infant son of a director (who is not herself or himself a director) in shares or debentures is to be treated as being the director's interest; and a contract, assignment or right of subscription entered into, exercised or made by, or grant made to, the wife or husband or infant daughter or infant son of a director (who is not herself or himself a director) is to be treated as having been entered into, exercised or made by or to the director. As in section 27 'son' includes a step-son and adopted son and 'daughter' includes a step-daughter and adopted daughter, while in Scotland 'infant' includes a pupil or minor.

Under section 31 (2) a director of a company must notify the company in writing of the occurrence, while he or she is a director, of (a) the grant to his wife or her husband or to his or her infant daughter or infant son by the company of a right to subscribe for shares in or debentures of the company; and (b) the exercise by his wife or her husband or by his or her infant daughter or infant son of such a right, stating in the case of the grant of a right, the same information as is required by

section 27 to be stated by the director on the grant to him by an associated company of a right to subscribe for shares in or debentures of the associated company, and in the case of the exercise of the right, the same information as is required to be stated by the director under section 27 on the exercise of such a right. The relevant provisions of section 27 are subsections (1) (b) (iv), (4) and (7).

An obligation imposed by section 31 (2) must be fulfilled within fourteen days beginning with the day next following that on which the occurrence of the event that gives rise to it comes to his knowledge (c.f., section 27 (3) (b)). A person who fails to comply with section 31 (2) incurs the same penalties as under section 27 (8); and section 27 (9) to (13) inclusive, with any requisite modifications have effect for the purpose of section 31 as they have effect for the purpose of section 27.

Section 29 (1) requires every company to keep a register for the purposes of section 27, and whenever it receives from a director information required to be notified to the company under section 27 it must 'inscribe' it in the register against the name of that person together with the date of the inscription.

Under section 29 (2) (a), whenever a company grants to a director a right to subscribe for shares in or debentures of a company, it must inscribe in the register against his name, the date on which the right is granted, the period during which or the time at which it is exercisable, the consideration for the grant (or the fact that there is no consideration), the description of shares or debentures involved, the number or amount and the price to be paid for them. It will be recalled that where a similar right is conferred on a director by an associated company, the director must notify the company under section 27 (7). Under

section 29 (2) the duty of inscription in the register applies to every company whether principal company or associated company which grants the right.

Under section 29 (2) (b) whenever such a right as is referred to above is exercised by a director, the company which granted the right must inscribe in the register against his name the fact that the right (which must be identified) has been exercised, the number or amount of shares or debentures in respect of which it is exercised, the fact that the shares or debentures were registered in his name (if such be the case), and if not, the name or names of the person or persons in whose names they were registered, and if they were registered in the names of two or more persons, the number or amount registered in the name of each of them. An obligation imposed on a company by section 29 (1) and (2) must be fulfilled before the expiration of three days beginning with the day next following that on which it arises, but excluding, as under section 27 (12), a Saturday or Sunday or a bank holiday in any part of Great Britain.

If a director so requires, the nature and extent of an interest in any shares or debentures inscribed in the register must also be recorded. Thus, a director may require it to be recorded in the register that he is a trustee, other than a bare trustee or custodian trustee, of particular shares or debentures. If he is a bare trustee or custodian trustee he will be deemed to be uninterested in the shares or debentures under section 28 (8) so that he will not be on the register to be kept under section 29 in respect of those shares or debentures, though he may be on the register of members or debenture-holders. Section 29 (5), which confers this right upon a director, is in very similar terms to section 195 (3) of the Companies Act 1948 (now to be repealed).

Section 29 (5), like section 195 (3) of the 1948 Act, is not in harmony with the principle of section 117 of the 1948 Act which provides that no notice of any trust, expressed, implied or constructive shall be entered on the register, or be receivable by the registrar, in the case of companies registered in England (the position is different in Scotland). To uphold the principle of section 117, section 195 (4) of the 1948 Act provided that the company should not, by virtue of anything done for the purposes of that section, be affected with notice of, or put upon inquiry as to, the rights of any person in relation to any shares or debentures. A provision in identical terms accordingly appears as section 29 (6) of the 1967 Act.

The register under section 29 must be so made up that the entries against the several names inscribed in it appear in chronological order; and unless the register is in such form as to constitute an index in itself, the company must keep an index of the names inscribed in it which must (a) in respect of each name contain a sufficient indication to enable the information inscribed against it to be readily found; and (b) be kept in the same place as the register. Within fourteen days after the date on which a name is inscribed in the

register the company must make any necessary alteration in the index. The register must be produced at the commencement of the company's annual general meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

If the company's register of members is kept at its registered office, the register under section 29 must also be kept there; but if the register of members is not kept at the registered office, the register under section 29 must be kept either at the company's registered office or at the place where the register of members is kept. This register must during business hours be open to the inspection of any member of the company without charge and of any other person on payment of 1s or such less sum as the company may prescribe for each inspection. As under section 26 (4), 'business hours' are subject to such reasonable restrictions as the company *in general meeting* may impose so that not less than two hours in each day are allowed for inspection. The shilling payment for inspection by the public, on the other hand, may be reduced by the directors, since the reference is to the *company*, not the company in general meeting, and a company by its articles usually delegates its powers of management to the directors.

The company must send notice to the registrar of companies of the place where the register is kept and of any change in that place, except where the register has at all times been kept at the registered office. This provision, contained in section 29 (8) corresponds with section 26 (3) relating to copies and memorandums of directors' service contracts.

Any member of a company or other person may require a copy of the register under section 29 or any part of it on payment of 2s (or such less sum as the company may prescribe) for every hundred words or fractional part of a hundred words required to be copied. Any copy so required by any person must be sent to that person within ten days beginning with the day next following that on which the requirement is received by the company.

If default is made in producing the register at the commencement of the company's annual general meeting the company and every officer of the company who is in default will be liable to a fine not exceeding £50. If default is made for fourteen days in sending notice to the registrar of companies of the place where the register is kept and of any change in that place (unless that place has always been the registered office) the company and every officer of the company who is in default will be liable to a 'default fine', that is to say, a fine not exceeding £5 for each day during which the default continues (see section 440 (1) of the 1948 Act).

If default is made in complying with section 29 (1) and (2) within the prescribed time, or the entries in the register do not appear in chronological order against the names inscribed in the register or (unless the register is so kept as to constitute an index in itself) there is no index to the register or the index is not kept

at the same place as the register; or an inspection of the register is refused or a copy of the register or any part of it is not sent within the proper period to a person requiring it, the company and every officer of the company who is in default will be liable to a fine not exceeding £500 and also to a default fine.

It will be observed that all offences under section 29 are made punishable by a fine alone. Section 49 of the 1967 Act provides, *inter alia*, that all offences under the 1948 Act or Part I of the 1967 Act made punishable by fine alone are to be triable summarily; and that summary proceedings (without prejudice to any jurisdiction exercisable apart from section 49 (2)) may be taken against a body corporate at any place at which it has a place of business and against any other person at any place where he is for the time being.

If a company refuses an inspection of the register required to be kept under section 29 of the 1967 Act, the Court may by order compel an immediate inspection of it; and if the company fails within the proper period to send to a person requiring it a copy of the register or of any part of it, the Court may by order direct that the copy required shall be sent.

For the purposes of section 29 (1) an obligation imposed on a director by section 31 will be treated as imposed by section 27; and as in earlier sections, a person in accordance with whose directions or instructions the directors of a company are accustomed to act will be deemed to be a director under section 29.

If it appears to the Board of Trade that there are circumstances suggesting that contraventions of section 25 or 27 or 31 (2) may have occurred in relation to shares in or debentures of a company, they may appoint one or more inspectors to investigate and report to the Board. Such an investigation may be limited to a particular period or confined to shares or debentures of a particular class or both.

For the purposes of such an investigation, section 167 of the 1948 Act as modified by section 32 of the 1967 Act, imposes on officers and agents of the company being investigated and of associated companies the duty to assist the Board's inspectors. It also imposes a similar duty on (a) individual members and past and present officers of corporate members of a recognized Stock Exchange or of a recognized association of dealers in securities; (b) individual holders and past and present officers of corporate holders of licences granted under section 3 of the Prevention of Fraud (Investments) Act 1958, and (c) exempted individual dealers and past and present officers of exempted corporate dealers under orders made by the Board under the 1958 Act.

The inspectors may, and if so directed by the Board must, make interim reports to the Board and on the conclusion of the investigation must make a final report to the Board. Any such reports may be written or printed, as the Board directs, and the Board may cause them to be published. The qualified privilege enjoyed by solicitors and bankers under section 175 of the 1948 Act is preserved.

Current Affairs

Cost Accountants' Examinations

THERE were 9,368 candidates for the June 1967 examinations of The Institute of Cost and Works Accountants, of whom 3,937 were successful. The prize-winners in the various parts were as follows:

The S. Laurence Gill Prize for the first place in Part V: Mr G. R. Wyatt, of Stratford-upon-Avon.

The Lewton Coronation Prize for Advanced Accountancy and Financial Management (Part V): shared between Mr N. A. Eastaway, of Theydon Bois, and Mr R. M. Elliott, of High Wycombe.

The Beyer Peacock Prize for Management Principles and Practice (Part V): Mr R. C. Benham, of Billericay.

The Leverhulme Prize for first place in Part IV: Mr A. P. Power, of Leicester.

The Donald L. Moran Prize for first place in Part III: Mr J. H. Woolner, of Aldridge.

The W. B. Flowers Prize for Financial Accountancy (Part III): Mr I. A. Pickering, of Huntingdon.

The George Russell Memorial Prize for first place in Part II: Mr J. F. Blakesley, of High Wycombe.

The Roland Dunkerley Memorial Prize for first place in Part I: Lieutenant A. Mills, of Worthy Down, Winchester.

The names of those successful in certain parts of the examination, together with a full summary of the results, appear on other pages of this issue.

State and Industry

THERE is no doubt that much needs to be done with British industry to increase its efficiency and competitiveness. The problem is not only how this shall be done but also what role the Government shall play in stimulating industry in what the Government at least believes to be industry's best interests. In our issue of July 29th, we referred to the implications of a proposed enabling Bill which the Government contemplated introducing into Parliament to give it a more

effective voice and measure of control in industrial affairs.

The Confederation of British Industry have seriously considered this proposal and now, not surprisingly perhaps, have rejected the scheme and have warned the Government that to continue with such proposals would undoubtedly affect adversely the already none too happy relationship between them. The trouble with such proposals is that all too often they have not been fully considered, much less effectively discussed. So far, however, the matter of intervention has yet to be decided. When that time comes, as anyone in industry is fully aware, the problems will lie as much in the labour field as on the side of management.

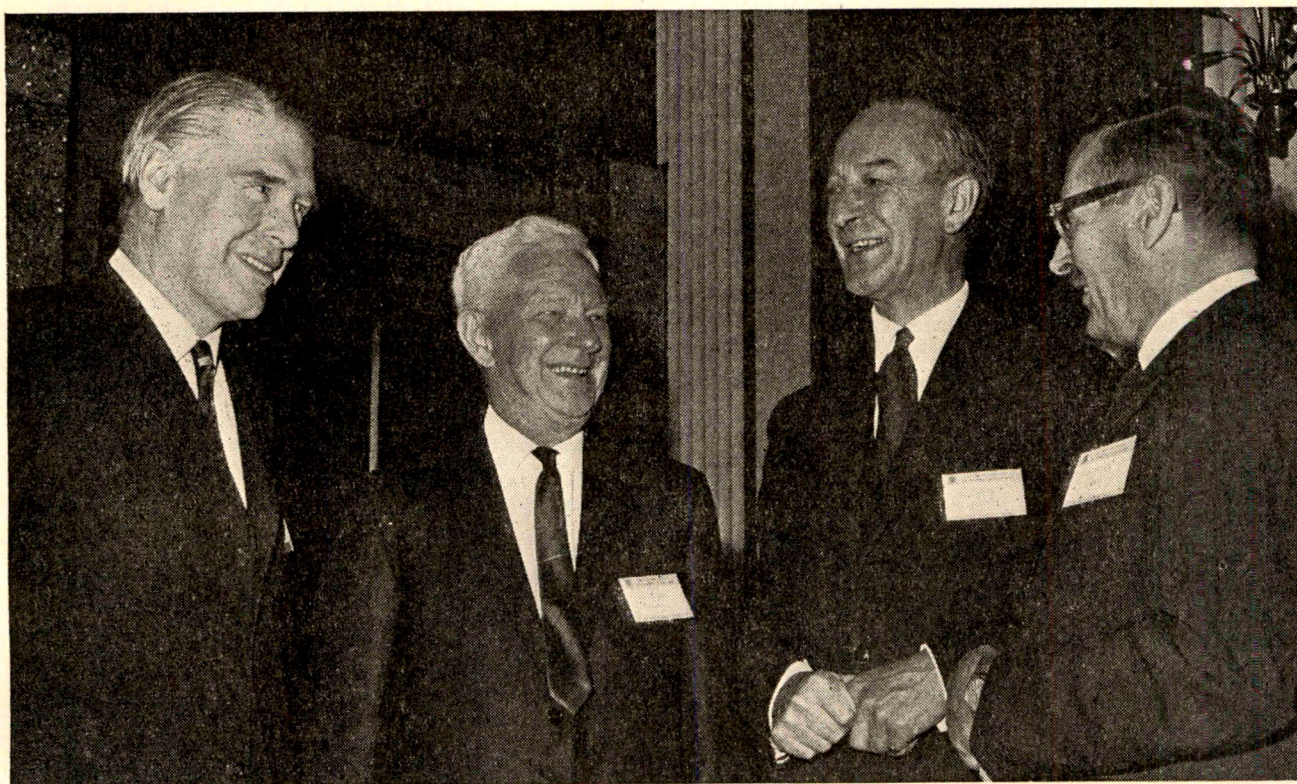
Signs of Rising Demand

THE latest survey of the British economy in the current issue of *Economic Trends* provides the mixed fare to which students of the economy have become accustomed in recent months. There are signs that demand is reviving and, in particular, car sales have

been stimulated by the easing of hire-purchase restrictions and private house building is also picking up. Public expenditure both on current and capital account, notes the journal, 'has probably remained on a firm upward trend'. On the other hand, exports have been slightly lower in consequence of the easing of demand in main overseas markets and, of course, through the impact of the Middle East situation.

It is noteworthy that the hourly wage rates index rose by 1.8 per cent in July – almost as much as during the whole of the preceding six months, while clearing bank advances to the private sector have been increasing recently on both corporate and personal accounts.

The deficit on visible trade in the second quarter of the year was £120 million compared with a smaller deficit of £28 million in the previous quarter: the decline was due in the main to a falling off in exports. Taking the first half of this year as a whole there was a deficit of £148 million compared with a surplus of £63 million in the second half of last year. Some part of this deterioration is almost certainly due to the post-



Canadian Institute's Annual Meeting. Four Presidents pictured together at the sixty-fifth annual meeting and conference of the Canadian Institute of Chartered Accountants held last week in Toronto. *Left to right:* Mr B. F. Anderson, B.Com., F.P.A.N.Z., President, New Zealand Society of Accountants; Mr A. B. Cleland, F.C.A.(Aust.), President, The Institute of Chartered Accountants in Australia; Mr W. E. Parker, C.B.E., F.C.A., President, The Institute of Chartered Accountants in England and Wales, and Mr J. R. M. Wilson, F.C.A.(Can.), President, Canadian Institute of Chartered Accountants.

Mr Parker, who was one of the speakers, stated that chartered accountants in the United Kingdom attached the greatest importance to the 'internationality' of the accountancy profession. He emphasized that this could be a powerful force for the promotion not only of understanding in professional accounting matters but of general understanding by the peoples of different nations. Mr Parker also referred to some of the problems confronting the profession in Britain which he felt could be solved by simplifying the structure of the profession, raising the standards of education and technical training and developing additional post-qualification training.

A full report of the conference will be published in next week's issue.

ponement at the end of last year of imports subject to the import charge.

Certainly there are no reasons for believing that the economic situation will improve markedly during the next few months. Unemployment during the winter, especially if the weather is severe, could rise substantially. What is needed now more than ever is a revival of confidence in industrial circles in the Government's ability to stabilize the economy at a higher rate of growth. Unfortunately the Government has little to offer which suggests that this is practicable in the near future.

Investment Statistics

FOR the statistically inclined investor there seems no limit to the flow of data designed to help him 'beat the index'. The latest addition to the literature is a pamphlet entitled *Rates of Profit in British Industry* (price 21s) from Econtel Research Ltd.¹

The earnings yield for individual industries (there are ninety-nine different groupings and sub-classifications) on ordinary share capital is given, as well as comparable data for the 641 companies in the sample. To allow for the changing economic climate during the past decade, the earnings yields are calculated for two periods, 1955-60 and 1960-65, while for the individual companies the average price/earnings ratios in the two periods are also calculated. In all cases earnings figures are struck after allowing for corporation tax and these are related to the market valuation of the equity interest.

According to the calculations, the average rate of earnings of the selected companies was 10.5 per cent during the earlier quinquennium and 7.6 per cent in 1960-65. The lower rate is described as deriving 'from the large adjustment in share prices which took place in 1959-60 which moved returns on to a more realistic basis'.

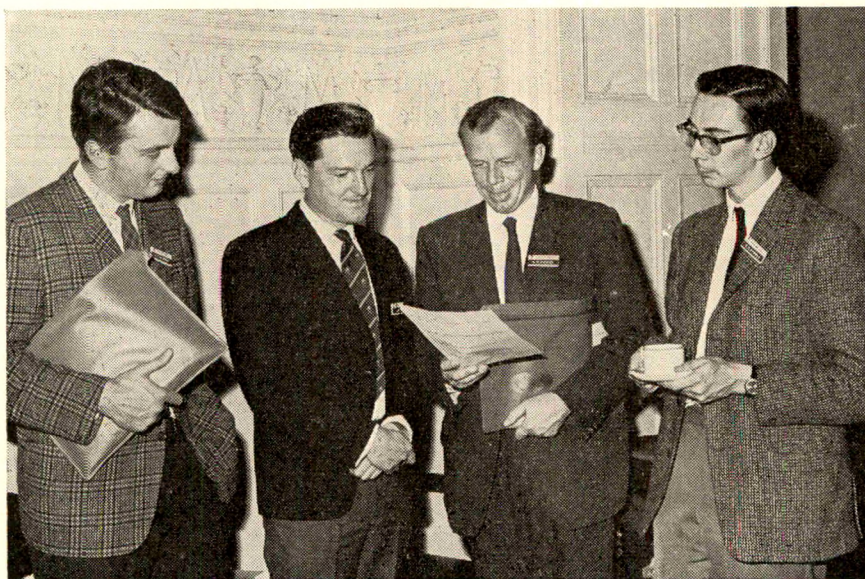
¹ 181 Queen Victoria Street, London EC4

Take-overs and the 'Code'

THE bid by the General Electric Company for Associated Electrical Industries, quite apart from being the largest and most important take-over bid in recent history, is likely in the long run to be significant on other grounds. First and perhaps the most important factor, is that the Industrial Reorganization Corporation has given Mr Arnold Weinstock its blessing. This is not a take-over bid in the traditional sense of the term: it is part and parcel of the Government sponsored plan to increase the size of industrial units in the British economy. The second aspect of the take-over concerns the future of this prospective giant and the structure of this key industry for the long-term development of the British economy.

There can be little doubt that rationalization of the electrical industry is urgently needed. No doubt a concentration of production in the most efficient centres and the elimination of surplus capacity should be beneficial, not only to the domestic consumer, but also in improving the ability of the industry to meet overseas competition both at home and abroad. It is still too early as yet to know just how these advantages are to be achieved. It would be a pity, for example, if the view were to be generally accepted that bigness of itself is a guarantee of future efficiency.

The actual terms of the offer are not such as to create any particular market furore. On the other hand, the manner of the offer does merit serious reflection. The fact that both the market and A.E.I. were taken by surprise creates the impression that this take-over is along the lines of most previous take-over bids and based purely upon a commercial appreciation of its merits. The fact is, however, that the size of the prospective undertaking, the implications of the merger for the industry, the national economy and, not least, the employees at all levels would to the outside observer merit a rather more serious approach than an offer out of the blue.



Members of The Institute of Chartered Accountants in England and Wales discussing the programme at one of the Institute's residential courses on current tax practice held at the Hotel Metropole, Brighton, this week. *Left to right:* Mr J. D. Kirkham, A.C.A. (Sheffield); Mr L. A. Austin, F.C.A. (Croxley Green); Mr W. R. Packer, M.A., F.C.A. (London) and Mr B. E. Nichols, A.C.A. (London). Four separate courses — each with the same programme — were held during the week, and members heard lectures and discussed various aspects of corporation tax and capital gains tax.

The fact that the I.R.C. has presumably been consulted, but apparently not the A.E.I. board, which in the past has also looked in the direction of another major company, English Electric, is surprising. If the Monopolies Commission could turn down the proposed merger between two major clothing manufacturers on the score of public interest, what is likely to be the outcome of any inquiry into this proposed merger?

Such reflections provide a timely reminder that the Bank of England is to create a watchdog committee on amalgamations and mergers. This committee will comprise representatives from a number of City

institutions, as well as from the Confederation of British Industry and the National Association of Pension Funds. As yet its prospective terms of reference and, more to the point, the means whereby its view can be enforced, are not clear. Certainly the new committee is not likely to be in a position to comment on the A.E.I.-G.E.C. take-over bid; in any case, other aspects of the issue transcend in importance the problem of shareholders' rights. Certainly Mr Weinstock has given not only the City, but the Monopolies Commission and the Board of Trade, as well as the Government, a great deal to think about in the next few weeks.

This is My Life

by An Industrious Accountant

THE personnel director sat back, crossed his legs, and regarded me with an eye at once affable and patronizing. The problems – philosophical and psychological – involved in his department's work were daily increasing in complexity, he pontificated. Expansion on a higher scientific level was essential. In short, the new recruit to Personnel must be at least an honours graduate in applied psychology.

It seemed to me, I ventured, that the creditable history of the last two decades indicated the opposite. Prinny had operated his employee relations functions with a bluff, Captain Bligh-like approach at first, the risk of keel-hauling, so to speak, always lurking behind any proffered 'leis' or pineapples. As he mellowed with age, however, he has been rather more paternal; but his success ratio in action has always stood high. Why, therefore, the urge to change?

Personnel functions, replied Prinny loftily, had altered for the better. Accountants, in contrast, had continued on the old familiar routine; their only concession to the scientific approach being electronic computers or the controversy about when a reserve was a provision. But dealing with staff . . . ah, that required subtlety.

A slight drumming of my fingertips on the table brought him back to reality and he apologized as the morning coffee arrived. True, he said handsomely, accountants were a tower of strength in tax matters, bless them, and well he knew it.

In so far as we had saved him from serious trouble last year when his devious misstatements of fact regarding his benefits-in-kind had caught up with him the apology was timely. Philosophers, I pointed out, had been known to protest that income tax was penal

and unjust, and might therefore be avoided without moral qualms. Revenue Commissioners, unfortunately, interpreted their tenets more crudely.

Prinny hastened to explain that what he meant was quite different. He wanted a man with an aptitude for the humanities. His staff must be versed in psychotherapy and guidance, must know their logic and epistemology, and must be well-read in the great philosophers from Aquinas to Bentham. Only thus could he guarantee to manipulate effectively the conflicting personalities and rival ambitions in the company's hierarchical structure.

As he spoke we seemed to see a vision of a wild-eyed queue of worried trade unionists, staff association malcontents, and underpaid executives forming up outside Prinny's door. Under the fierce stresses of modern industry, people needed his reassurance and unobtrusive encouragement to relax their tensions, as on a psychiatrist's couch. Yes, an honours graduate, with industrial experience at the crunch level of strikes and strike-breaking – that was the job specification.

From a small cabinet he dramatically produced a bottle of Scotch to flavour the coffee, and we drank heartily to his success.

My case was different, I told him. My last recruit, far from being a mental giant of acceptable diligence, had been imposed on me against my protests. Yes, the deputy-chairman's hulking son – cynical, lazy and irresponsible. I didn't use precisely those adjectives, naturally, but Prinny got the message and sympathized with a comradely wink.

Just then the managing director entered, suavely dominant as ever. Perhaps, he requested smoothly, as a special favour, as a rotational assignment pressed by the chairman in order to give essential experience to a potential top manager, Prinny would agree to accept on his staff . . . guess who!

When his expostulations had been overcome, when his dreams were shattered, I left him sunk in a silence too deep for words. I hadn't the heart to observe that Personnel's gain was Accounts Department's loss!

Provisional Tax Collection

by H. S. A. MACNAIR, F.C.A.

THERE may be said to be three stages in the implementation of the responsibilities of the Board of Inland Revenue as to raising the duties of income tax and corporation tax. The first stage is the collection and enforcement of information from which may be ascertained the amount in respect of which the taxpayer is chargeable (per Lord Wrenbury in *The King v. The Kensington Income Tax Commissioners* (6 T.C. 613)).

The second stage involves the imposition of liability, formerly by a tribunal, even if in a somewhat perfunctory manner (*Venn v. Franks* (37 A.T.C. 194; 38 T.C. 175)), and latterly by the inspector (section 5 of the Income Tax Management Act 1964 and paragraph 6 (1) of the Sixth Schedule, Finance Act 1966). These steps are a necessary prelude to collection which, however, requires to be kept in view as the logical upshot of the whole process.

Parliamentary resolutions

In 1913 an Act was brought in to give statutory effect for a limited period to parliamentary resolutions varying or renewing taxation. An ancillary purpose was the provision of rules with respect to payments and deductions made on account of any temporary tax between the dates of its expiration and renewal. In general, where a resolution is passed by the House of Commons providing for the variation of any existing tax, or for the renewal for a further period of any tax in force or imposed during the previous financial year – whether at the same or a different rate and whether with or without modifications, and the resolution contains a declaration that it is expedient in the public interest that the resolution should have statutory effect under the terms of The Provisional Collection of Taxes Act 1913, then the prescribed authorization is effected. The 'statutory effect', for the period limited by that Act and subject to the provisions noted below, is to be that which it would have if its terms were contained in an Act of Parliament.

It may be noted that where the resolution provides for the renewal of a tax, all enactments which were in force with reference to that tax as last imposed by Act of Parliament are to have full force and effect with respect to the tax renewed by the resolution during that period and subject to those conditions. Such a resolution can have 'statutory effect' once only, and a resolution having the same effect cannot be substituted in the same parliamentary session.

There has hitherto been an overriding time limit of four months after the date on which the resolution is passed but section 41 (3) of the Finance Act 1967, anticipating the possibility that Budget procedures may be initiated in March or early April, provides that in such cases August 5th may be substituted as the terminal time limit. If, however, the resolution specifies a commencing date, this determines the period from which the resolution is to have statutory force.

There are provisions to deal with the earlier termination of the period of 'statutory effect'. The most obvious is the coming into operation of an Act varying or renewing the tax, so that the date of the Finance Act 1967 (July 21st, 1967) signalled the termination of the period of 'statutory effect' of the resolutions passed in April 1967 so far as not already spent. In this connection it may be observed that the reimposition of a tax is deemed equivalent to its renewal. Termination also occurs if Parliament is dissolved or prorogued, or if the provisions giving effect to the resolution are rejected during the passage of the Bill containing those provisions through the House of Commons.

The consequences of termination are that any money paid in pursuance of the resolution is to be repaid or made good and any deduction made on its authority is to be deemed unauthorized. Similarly, where the tax as varied or renewed by the resolution, is modified by the Act varying or renewing the tax, any money which has been so paid to an extent which is excessive by reference to the new law is to be repaid or made good, while to the extent of any such excess any deduction made in pursuance of the resolution becomes void of authority.

Need to validate payments

There is the further need to validate payments or deductions made on account of a temporary tax as regards the period following its expiry date and before the resolutions take effect. A period of one month is prescribed for this purpose by section 2 of the 1913 Act, subject to the consequences noted above as regards entire or partial failure to renew the tax, that is, either the non-passing of the requisite resolution within that month or its subsequent termination. Section 41 (4) of the Finance Act 1967 will extend the scope of the 1913 Act to a resolution of the House of Commons providing for the repeal or abolition of an existing tax as it applies to such a resolution providing for the variation of any existing tax.

Continuity of laws

In order to ensure the collection in due time of income tax which may be granted for any year of assessment commencing on April 6th, all such provisions contained in the Income Tax Acts as were in force at the close of the preceding year are to have full force and effect in anticipation of the annual legislation (section 490, Income Tax Act 1952).

In this connection one may note the terms of section 1 which provides that where any Act enacts that income tax is to be charged for any year at any rates then, subject to general rules, the tax at those rates is to be charged for that year in respect of all property, profits or gains on the basis of the four Schedules B, C, D and E still extant from the original classification. Hence the current validity of income tax legislation turns on section 13 of the Finance Act 1967 which charged income tax for the year 1967-68 at the standard rate of 8s 3d, and in the case of individuals fixed a £2,000 surtax abatement while leaving the operative rates for future determination.

A similar 'temporary' character is assigned to corporation tax by section 46 (1) of the Finance Act 1965, while section 19 of the Finance Act 1967 charges that tax for the financial year 1966 at the rate of 40 per cent. In the same place it is enacted that the effect of such a charging Act is to cause the Corporation Tax Acts (the boundaries of which are defined by section 89 (1) of the Finance Act 1965, section 53 (2) of the Finance Act 1966 and section 45 (3) (a) of the Finance Act 1967) to apply henceforward for the year charged without any express provision.

Nevertheless, in the absence of a rule corresponding to section 490 of the Income Tax Act 1952, some doubt may be felt as to the theoretical validity of the underlying corporation tax legislation, as distinct from the assessment arrangements, for the year following that for which a rate has been fixed, pending the next Budget resolution.

Assessments

Although corporation tax for any financial year is to be charged on profits arising in that year, the rule for assessments is that they are to be made on a company by reference to accounting periods. In consequence the amount chargeable, after making all proper deductions, in respect of the profits arising in an accounting period is to be apportioned where necessary between the financial years in which the accounting period falls. In general, notwithstanding that corporation tax has not at the relevant time been charged for a given financial year, assessments for accounting periods falling wholly or partly in any year may charge tax according to the rate of tax last fixed so far as concerns the proportion of the period falling within that year.

Section 49 (5) of the Finance Act 1965 concludes in somewhat ambiguous terms but it would seem that if corporation tax for that year is not imposed by an Act within the usual four-monthly period expiring on

August 5th, then discharge or repayment of tax follows, a consequence which also attends if the actual charge imposed differs from that applied by the assessment, unless of course an additional assessment is called for instead.

Section 49 (6), as amended, provides that where the House of Commons passes a resolution for fixing the rate of corporation tax for the financial year 1966 (i.e. April 1966 to March 1967 inclusive) or any later year or for altering the tax for any such year, then any assessment to tax afterwards made on the strength of the above rules may be made in accordance with the resolution during its currency. For this purpose a resolution used to have a maximum validity of four months but, with an eye to the possibility of Budgets being introduced in March or early April, section 41 (5) of the Finance Act 1967 provides, as in the case of income tax, for the use of August 5th as terminal date.

Certain further restrictions are re-enacted in modified form by section 41 of the Finance Act 1967 which with section 42 is to come into force on such date, not earlier than September 1st, 1967, as may be appointed by statutory instrument, although the former rules for Northern Ireland remain unchanged.

New types of resolution

The new scheme provides that a resolution having 'statutory effect' under section 1 of the 1913 Act is to cease to have such effect unless within the next twenty-five days following, on which the House of Commons sits, a Finance Bill is suitably progressed. Such progress may take the form of a second reading of the Bill varying or renewing the relevant tax or of the amending of a Bill so as to include the appropriate provision. The former rules, still to have effect in Northern Ireland, looked in the first instance to resolutions by the Committee of Ways and Means, requiring the agreement of the whole House within ten sitting days and a second reading of the Finance Bill within twenty days thereafter.

However, a new category of resolutions is inaugurated by section 42 of the Finance Act 1967. These will be brought into play if the House of Commons resolves that provisional statutory effect shall be given to one or more motions to be moved by the Chancellor or some other Minister and which if agreed to by the House would have ranked as resolutions to which 'statutory effect' could be given as above or in accordance with which assessments to corporation tax could be made under section 49 (6) of the Finance Act 1965.

It seems that the convenience of this procedure would lie in the substitution of a single resolution for the multiplicity otherwise required to give immediate effect to the Budget proposals and also in allowing a breathing-space in which the proposals can be looked at more closely. Hence the validation of the Ministerial motions will cease to apply to a motion if that motion, or a motion containing the same proposals with modifications, is not agreed to by a confirmatory resolution of the House of Commons within the next ten sitting

days. Should such a cessation occur all necessary adjustments, by way of repayment of tax or otherwise, are to be put in hand so as to restore the *status quo*, inclusive of the making good of any deductions thereby rendered unauthorized.

Stamp duty

It may be of interest to note that the Provisional Collection of Taxes Acts do not apply to stamp duty. It is not practicable to impart a provisional character to the stamping of documents so that it is usual for changes to be expressed to apply as from August 1st (as is done in Part V of the Finance Act 1967).

Over-deduction of tax

Section 492 of the Income Tax Act 1952, as amended, provides that if in any year of assessment a resolution having 'statutory effect' as above provides for a reduction in the standard rate then the prescribed arrangements are to follow as regards income tax deductions effected under sections 169 or 170 from any payments of interest by any body corporate on any of its securities or under the rules of Schedule F from preference dividends on its shares or stock.

To rank as 'preference' a dividend must be payable on preferred capital at a fixed gross rate per cent or, in the case of participating preference shares, must reflect the fixed element. However, the term excludes any payment which fails to fulfil the condition of deduction of income tax, either at the full standard rate prescribed by section 47 (2) of the Finance Act 1965 or by reference to a standard rate less than that ultimately imposed in a case where the payment is made before the passing of an Act imposing income tax for the year of assessment. The rule applied in this context is that where capital is serviced by payments in the period immediately following the end of a financial year and before the expiry of one month from the passing of the resolution reducing the rate, then any income tax deductions made at the former rate are validated, a provision clearly necessary from a practical standpoint.

The over-deduction is to be made good on the occasion of the next payment of dividend or interest although the adjustment in favour of the share- or stock-holder may not be deferred for more than a year after the passing of the Act ultimately imposing the tax in question. Section 492 specifies, however, that the owner of the share or loan capital entitled to the original payment has no vested interest in the amount forgone and the subsequent adjustment, whether effected in conjunction with a regular payment of dividend or interest or otherwise, enures to the benefit of the holder at the time of receipt. No doubt this rule also is necessitated for reasons of practical convenience.

Under-deduction of tax

The converse situation is that where, in any year of assessment, any half-yearly or quarterly payments have been made on account of any interest, dividends or

other annual profits or gains previously to the passing of the Act imposing the tax for that year. If tax has not been charged thereon or deducted therefrom at the rate ultimately imposed or not at all, the deficiency is chargeable under Case VI of Schedule D, the agents for making the payments being liable to give particulars to the Revenue of those payments and of the payees.

As a corollary, section 492 (2) authorizes retrieval at a later date to make good the overpayment resulting from the insufficient tax deductions in this context. The next recurrent payment is the appropriate occasion but if there is no future payment from which the deduction may be made, the person concerned is to be entitled to recover the sum which might have been deducted as if it were a debt due from the payee to whom the excess payment was made.

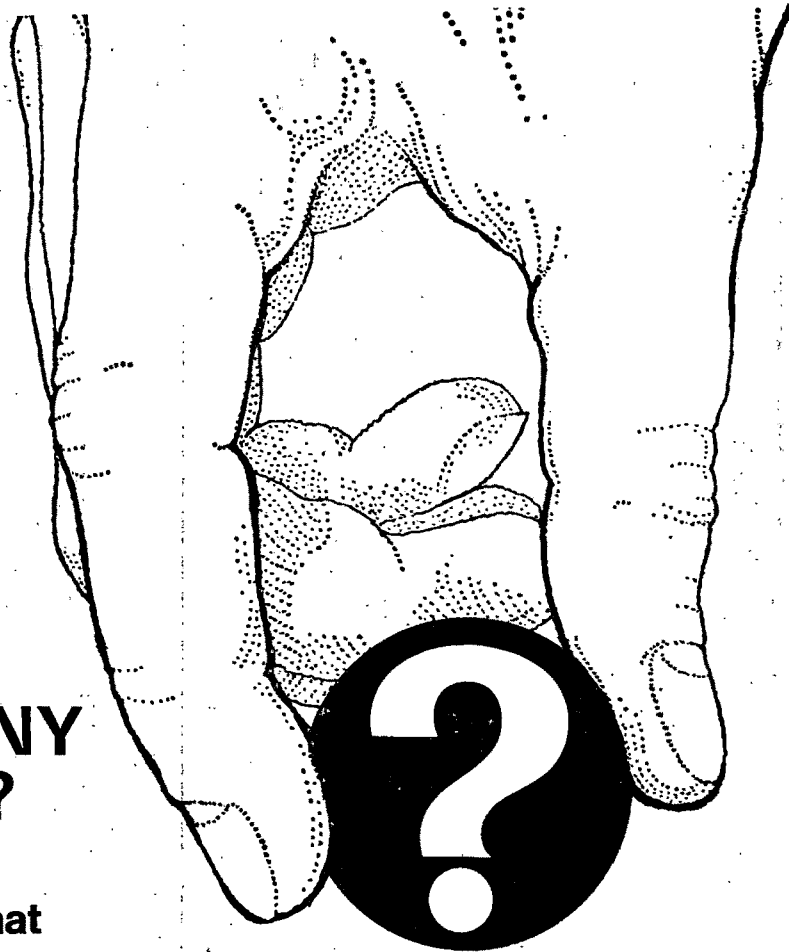
It is of interest to note that in addition to preference dividends within the scope of Schedule F, the foregoing rule applies to royalties and other sums paid in respect of the user of a patent and the assimilated annual payments familiar under sections 169 or 170. It also applies (net of the commission element) to any payment of or on account of royalties or sums paid periodically, otherwise than in respect of copies of works which have been exported from the United Kingdom for distribution outside the United Kingdom, where the usual place of abode of the owner of the copyright is not within the United Kingdom. Moreover the character of 'owner' is not shed by an assignment of the copyright to some other person. The rule does not extend to artistic or dramatic works of a cinematograph character.

Conclusion of liquidations

Section 51 of the Finance Act 1965 provides that where a company is wound up, an accounting period is to end and a new one is to begin with the commencement of the winding-up. Thereafter an accounting period is not to end otherwise than by the expiry of twelve months or by the completion of the winding-up. However, this raises a problem as regards the financial year in which the affairs of a company are completely wound up (its 'final' year) and the last preceding financial year (the 'penultimate' year).

This problem is resolved by paragraph 5 of Schedule 11 to the Finance Act 1967 which applies as respects any winding-up completed after July 21st, 1967. In the first place an assessment on profits of a company in liquidation is not to be invalid because it is made before the end of the accounting period. Next, in order to establish the boundaries of such a company's accounting periods, the inspector may, with the concurrence of the liquidator, act on an assumption as to the date when its affairs are completely wound up. The assumption of the wrong date is not to alter the company's 'final' and 'penultimate' years. Hence as regards the period subsequent to a premature terminal date the mechanism is reset and a fresh series of twelve-monthly periods commences to run towards the right terminal date.

However, another problem arises over the choice of



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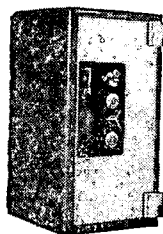
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rate. In the first instance the 1967 Act provides that the rate of corporation tax applicable to the 'final' financial year is to be that for the company's 'penultimate' financial year. As regards the latter, as noted earlier in this article, section 49 (5) of the Finance Act 1965, contemplates the use of a provisional charging rate, but what is to happen if the affairs of a company are completely wound up before an Act is passed fixing the rate of corporation tax for the 'penultimate' year? The solution is to treat as final the rate of corporation tax fixed by the (first, if more than one) resolution of the House of Commons (or Committee of Ways and Means, pending the implementation of sections 41 and 42 of the Finance Act 1967).

This rule overrides section 49 (5) so that in the case

of a company completely wound up (or assumed to be so) as at, say, April 5th, 1968, the initial assessment would be at 40 per cent for 1967 (the 'penultimate' year) on the strength of section 49 (5), and at 40 per cent for the five days in 1968 on the authority of paragraph 5 (3) of Schedule 11, Finance Act 1967. If a Budget resolution later fixed the rate of corporation tax for 1967 at 42.5 per cent, then the excess would be the subject of a further assessment (a reduced rate would be the occasion of a repayment).

These rules still seem to leave a 'close season' from the beginning of April until the passing of the first Budget resolution and during it a conscientious liquidator would appear unable to achieve finality in his stewardship.

The Interpretation of Accounts – II

With Special Reference to the Return on Capital Employed

by D. ROBSON, F.C.A.

Availability of data

HAVING accepted the concept of ratios, before one can start the making of comparisons, it is necessary to have comparable data available, fortunately, apart from the laborious task of compiling ratios oneself from the accounts of individual companies, there are now quite a number of sources of published ratios classified into various industry groups. These are compiled by several organizations, amongst them the Board of Trade, *The Economist*, *The Financial Times* and *The Times*. No two sources agree on the definitions on which ratios should be based, but they all state how their particular ratios are obtained. The publications, unfortunately, all suffer from the defect of having to rely upon published information and consequently, although they can give the normal balance sheet and return on capital ratios they are in most cases unable to publish the most useful series of percentages which are those based upon comparisons with sales.

48. Moodies Services, in conjunction with Dun & Bradstreet, have now commenced publication of a series of business ratios which do include statistics related to sales. These ratios have, however, also had to be compiled from published accounts together with any additional information which individual companies can be persuaded to disclose and consequently the sample is relatively small and the industry classifications much broader than is desirable.

49. Yet another source of information is the British Institute of Management which makes available to its members a useful summary of information published by other

sources as to the return on capital enjoyed in various industries.

50. Ideally business ratios should be compiled on a consistent basis by firms of similar size, in a similar industry and working in the same market conditions. It is to be expected that any comparison of ratios between the largest company and the smallest in an industry will inevitably show startling but, in many cases, compensating differences. These arise not only by reason of inefficiencies but are also dependent upon the stages of mechanization reached by a company.

Definitions to be used

51. The ratio of profit to capital employed, or 'return on capital,' is the recognized test of business performance, whether it is used:

- (a) to compare one company with another, or
- (b) as a test of manufacturing and trading efficiency, or
- (c) to assess the profitability of all the funds and resources available to the business, or
- (d) merely to decide the viability of a new project.

However, the definition of both capital employed and of profits can vary for all these purposes and the actual ratios to be used in any particular circumstance must depend upon the reasons for which one is examining the accounts.

52. As a test of operating efficiency it is probably better to use the before-tax return on gross assets employed whereas to assess the profitability of the employment of resources, taking financial management into consideration, the return on shareholders' funds in a more useful ratio. If the pro-

The concluding part of a paper presented on September 23rd at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales.

fitability of a new project is in question, the return on capital calculation must express profit as a ratio of the total expenditure for both fixed and working capital, but it is debatable if one should take the gross profits, the marginal profits, or the profits after allocation of all overheads arising on the project – even a d.c.f. calculation does not answer this particular question!

53. All ratios must, of course, be read with caution, unless one has an intimate knowledge of the actual businesses being compared, as there are well recognized limitations in the compilation of the basic figures. First there is the problem of differing accounting practices, as not only must all the assets appearing in the accounts be realistically valued (they seldom are) but there must be uniform definition of terms. In addition the firms being compared should ideally be of roughly the same size, supplying similar products or services and competing under similar market conditions.

The useful ratios

54. There are said to be over four hundred and fifty different ratios which can be extracted from accounts, but it would require the use of a computer to sort out those that are of use to management. In general there are only about fourteen ratios which are significant and which are reasonably easily obtainable from published sources. Some of these I have already dealt with, when considering the accounts of an individual company, however, for the sake of clarity I will repeat them here. They are:

- (i) Profit to Shareholders' Funds (or Net Worth).
- (ii) Profit to Gross Assets (or Gross Tangible Assets).
- (iii) Profit to Sales.
- (iv) Sales to Net Assets.
- (v) Sales to Gross Assets.
- (vi) Sales to Shareholders' Funds.
- (vii) Sales to Fixed Assets.
- (viii) Sales to Net Current Assets.
- (ix) Sales to Stock.
- (x) Fixed Assets to Total Assets.
- (xi) Current Assets to Current Liabilities.
- (xii) Liquid Assets to Current Liabilities.
- (xiii) Stock to Net Current Assets.
- (xiv) Current Liabilities to Shareholders' Funds.

55. The first six of these ratios, as can be seen, are directly concerned with the profitability of the company, whilst the remainder either explain the first ratios or demonstrate the creditworthiness, or perhaps lack of liquidity, of the company. (It will be seen that most of the useful ratios are dependent upon a knowledge of the sales figures.) Certain other useful ratios are based upon the number of employees where these are known, these include Profit/Employee, Sales/Employee and Fixed Assets/Employee and are all indications of relative efficiency (or lack of it).

56. Shareholders in general tend to judge a company by the earnings yield of their investment, based either on the current market price of their shares or on the price they paid originally. More sophisticated persons, however, go beyond this and ask how the return on the actual shareholders' funds employed in one company compares with that of other similar companies, or even of companies in

other industries which carry the same risk and growth factors. That is, they attempt to judge the efficiency of the management not only by reference to dividends but also by the use of assets and the use that has been made of 'gearing'. They, therefore, use the ratio of profit to net worth.

57. The use of this ratio can, of course, be misleading as it is a compound of efficiency in the use of assets, and of financial expertise in borrowing on favourable terms. Therefore, in order to simplify the assessment of efficiency, particularly for management purposes, use is made of the ratio of profit to gross tangible assets employed.

Problems of definition of capital employed

58. However, before any valid use can be made of comparisons of any sort it must be ascertained that the figures have been completed on comparable bases, and it is in the agreement of definitions that most difficulties arise.

59. Economists and accountants, for example, seem unable to agree whether gross assets should or should not be ascertained after deduction of trade creditors, although there is general agreement that the test must be the use made of operating assets, and not the efficient use of the sources from which they are provided. It is held by some that because of the day-by-day fluctuations in stock, debtors and cash, which arise from the payment of accounts, it is only right to redress the balance by deducting the other rapidly variable element in net current assets which is the trade creditors figure.

60. The definition of profits seems to cause less difficulties as having once defined capital, the profit figure to be used is usually self-evident. For instance, if one is assessing the ratio of profits to gross assets it is apparent that the profit figure must be arrived at before deducting interest as loans are not an element of gross assets; equally clearly interest must be deducted in arriving at the ratio of profit to shareholders' funds. Although in making d.c.f. calculations the return is normally ascertained on an after-tax basis, it is more usual for a return on capital assessment to take profits before tax as the tax charge can vary so much, not only by reason of the tax management of a company but because of changes in tax rates or of adjustments relating to previous years.

61. Comparisons between companies can be vitiated if there are wide variations in the bases of valuation of fixed assets. Some published sources make no attempt to adjust for such discrepancies, but others use a variety of devices to overcome the difficulty. The Board of Trade, for example, in their statistics, apply an overall index figure to book values, giving assets a weighted age in accordance with other statistics which they compile. In assessing the internal profitability of a company little difficulty arises as, apart from values being consistent (even though perhaps incorrect), current values can be ascertained either on the basis of a professional revaluation or on the basis of the fire insurance valuation, but this is seldom possible when dealing with the accounts of an 'outside' company. A third method of revaluation, available to an individual company, is the application of indices, available from such sources as the Economist Intelligence Unit, to the original cost of assets or groups of assets by years of acquisition and deducting therefrom the accumulated depreciation on such theoretical values.

62. It is arguable whether or not depreciation should be

deducted from gross assets, it being pointed out that the profit/asset ratio will rise when profits, derived from an asset which is written down each year, remain constant, so giving an unduly optimistic view of the company's efficiency. The counter arguments are that the depreciation charge, if not re-invested in plant, becomes cash and as such is included in both gross and net assets and so corrects the ratio, and that if depreciation is to be deducted in arriving at profits, it cannot be right to compare such profits with a figure of assets before depreciation. In any case it is preferable that both the assets and the depreciation charge thereon should be valued at current values.

63. A further problem arises when a company has embarked on a large capital expenditure project as expenditure to date will be included in assets whereas no benefit will accrue to profits until the project is completed. In fact there will be a reduction of profits due either to payment of interest on borrowings to meet the expenditure or a loss of interest if finance is provided out of the company's own resources. In the average company, which is constantly replacing assets, this is probably not material but it is significant in such industries as chemicals and steel when large amounts are laid out on plant for new processes, which do not go into production for a number of years after construction has commenced. In making internal comparisons the necessary information is available to make appropriate adjustments, but when looking at published accounts although it may sometimes be possible to make some allowance in such circumstances it can seldom, except by chance, be a correct one.

64. The valuation of premises gives rise to perhaps more problems than the valuation of plant and machinery. Premises can be very old and still shown in the accounts at original cost; admittedly they will have depreciated but if they have been reasonably maintained they will, by reason of inflation, almost certainly be under-valued and it could be argued that the company is not showing a true profit as it is not bearing the economic cost of its premises. For this reason, when internal assessments are made – it is not always practicable where only published information is available – it is often the practice to substitute for the book value of premises a value based either on the fire insurance value or on the capitalized value of the gross annual value for rating purposes and to charge against profits a notional rent based on this value.

65. Several other problems arise in deciding what are the assets on which calculations are to be made, for example, are assets surplus to requirements or trade investments to be included? In assessing the return on shareholders' funds this problem does not arise as obviously the shareholders are only interested in the overall efficiency of the directors in using the total resources at their disposal. It is probably fair to say that in most other contexts surplus assets and trade investments should be eliminated from the calculations as should the income arising therefrom.

66. The same sort of considerations apply when assets are hired or leased instead of purchased, although there are similarities with gearing by borrowing, as profits available will be reduced by the rental, but the assets on which the calculations are based will also be reduced. It would appear, therefore, that so long as the rent-charge is approximately the same as the normal return on capital (in this case on gross assets) the effect will be nil, but if as would happen in an inefficient firm the return on capital is less than the

rent-charge, expressed as a percentage of cost, the return on capital itself will be diminished and vice versa. Nevertheless, if a calculation were to be made of the ratio of the profit to gross assets, it would be necessary to add the rental to profits and the notional value of the assets rented to the total of gross assets.

67. Consideration has also to be given to the effect of investment grants on new capital expenditure, as if these are deducted from cost, the return on capital could be vicariously increased when comparing an activity in a development area with one in, say, the south of England where only normal allowances are given. A similar discrepancy would arise if the cost of a modern plant, from which had been deducted an investment grant, were compared with one where only the old investment allowances were given (which would have been treated either as a reduction of taxation or credited to a special reserve account).

68. There is seldom any argument regarding the exclusion from assets, of intangibles such as goodwill and trademarks as their value is entirely dependent upon the profitability of the company. However, research and development costs are of necessity capitalized in companies with a technological background and it seems to me that in such cases r. & d. expenditure carried forward is just as much an asset to be taken into account in assessing return on capital as any other fixed asset which has been built by the company's own labour. An exception must of course be made of r. & d. expenditure on a project, the commercial development of which has not been reached.

69. Bank overdrafts are another borderline case as if they are used in the conventional manner and fluctuate from day to day they should be treated as a current liability in the same way as trade creditors. The hard core of an overdraft, which is used almost as permanent capital, should, however, be treated as a medium- or long-term loan and excluded, particularly in calculating net current assets.

Miscellaneous points

70. It is apparent, if one looks at the accompanying table, that although the ratio of profits to assets, whether gross or net, can be reasonably easily determined, in order to explain the difference between the return on capital of two companies it is necessary to know the value of turnover. Failing such a figure it is almost impossible to break down the return on capital into its constituent parts. It is, of course, possible to make a reasoned guess, from the profit and asset figures given, but a figure of turnover so derived must always be treated with great reserve, unless it can be corroborated from some other independent source.

71. As has been pointed out the return on capital is compounded of two elements, the first of profit as a percentage of sales and secondly sales expressed as a ratio of assets (however assets are defined). The normal approach of the average business man is to be satisfied if he is able to increase his return on sales and he tends to forget that the utilization of assets is equally important, not only when assessing his operational efficiency but also when examining the return to equity shareholders. It is easy to see from the table the adverse effect of holding excessive stock or of being slow in the collection of debtors. If a company is flush of cash it may not appear to matter that surplus funds are locked up in stock and debtors, but money so tied up is either not earning interest or being put to other profitable

use, or if it has been borrowed it is actually costing unnecessary interest.

72. It is, as you all know, quite easy to break down the figure of profit to sales into a variety of other ratios, such as material and labour costs of sales, the percentage of sales values spent on premises and so on, but such figures are only of use in assessing the performance of a company from year to year (or period to period), unless corresponding ratios are available for other similar companies. The figures are unfortunately seldom available except in those instances where a group of companies in an industry, or section of an industry, have agreed to submit the relative information to a central body, such as accountants acting for a trade organization, or the Centre for Inter-Firm Comparison for dissemination amongst the members of the group as a range of ratios or percentages. When such co-operative ventures are entered into every effort is, of course, made to see that the figures submitted are completed as far as possible on uniform lines. In addition, as the central body is in possession of the absolute figures, it is in a position to distribute to each participant an interpretation of his own figures in context of the group as a whole.

73. The number of ratios given under such a scheme could be quite substantial but, as has been pointed out, if too many are given interpretation becomes increasingly difficult. The additional ratios in general, as is to be expected, merely break down the main ratios to which reference has been made, into smaller and smaller fractions and

so, up to a point, help to explain differences in the profitability of different companies.

74. Where a group study has been made it is interesting (if not frightening) to notice the wide range of percentages in any particular ratio between different companies. One study of some three hundred and fifty companies showed a ratio of profit to net assets of the upper quartile of approximately 20 per cent, whereas the lower quartile was only marginally above 10 per cent. The best and the worst companies in the study were naturally even more widely divergent.

75. Nevertheless, these group studies are of tremendous importance to the small firm, which is probably unable to afford management consultants, even on a short-term basis, let alone its own specialists. If the proprietors exercise only a modicum of common sense and possibly with the help of their professional accountants, they can draw sufficient conclusions from a comparison of the group figures with their own to be able to spotlight some, at least, of their deficiencies.

76. It is, of course, easy for a firm to be misled, when using its own annual ratios in isolation, as an improvement in, say, profit on sales may in effect, when compared with other companies in the same industry, show a slower rate of growth than average, or even if the rate of growth and profitability were satisfactory it could be that some particular element of cost was well out of line with the industry average.
(Concluded.)

Accountancy Education

A Teaching Viewpoint

by A. E. W. LAUGHARNE, B.A., A.C.A.,

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THE future of education and training for the accountancy profession has been the subject of a number of contributions to professional journals over the past few years. Many distinguished contributors have expressed their viewpoints. However, there has not been the same collation of opinion from the 'grass roots', namely from among those who, in the classroom, have had the task of putting into effect the recommendations of the Parker Report of The Institute of Chartered Accountants in England and Wales and subsequent educational innovations.

Inasmuch as the various developments have been acknowledged as 'experimental', I feel that contributions from the college teaching angle would be useful in helping to form that consensus of opinion within the profession which will help us to see clearly the way

forward. My own qualifications for venturing an opinion would be the fact of having graduated under that earlier experiment in accountancy education, the 'Universities-Accountancy Bodies Joint Scheme', and later having been concerned with the inflow of chartered accountant students into two technical colleges at which I have held appointments.

The change in the profession's use of the technical colleges in the past few years has been extremely rapid. A teaching colleague writing in late 1964 could speak of his only teaching of chartered accountant students being 'one or two attending evening courses'. By contrast, I have found that in the session just concluded at a comparable college 36 per cent of my time has been taken up with the teaching of Institute students and a further 22 per cent with students working for the

examinations of the other professional accountancy bodies.

In setting forth observations on courses currently running in technical colleges, no reference is made to the English Institute's nine-month full-time courses, partly because it may be as yet too early for firm conclusions to be drawn, but mainly because the writer has no personal experience of these courses.

The courses which have been running for several years, and of which much experience has been gained in a number of colleges, have been short (e.g. three to four weeks) courses of an introductory or pre-examination revision nature, or part-time (i.e. one day per week) courses extending over the whole college year. In my experience, it has been the revision courses which have done most to convince students of the value of technical colleges. It has to be borne in mind that it is on this type of course that the element of student choice is most clearly seen.

Study leave

Prior to his examination, the articled clerk will in any case be assured of study leave, and his principal will normally leave to him the choice between attending a college course or making his own revision arrangements. The fact that increasing numbers choose to make use of college facilities is evidence of their value. Statistics would show their choice to be a wise one. In both colleges in which I have taught, percentage successes of students on revision courses have been markedly above the national average.

Paradoxically, the revision courses have shown both the strength and weaknesses of correspondence tuition. A carefully planned pre-examination course includes a well balanced programme of supervised written work. The discipline of working through this schedule is a natural climax of the correspondence course work, helping the student to use the knowledge which he has gained. At the same time, the periods of oral tuition and discussion can be based on weaknesses revealed in the written work of students. However, deep-rooted misconceptions of students are more difficult to correct than if they could be 'nipped in the bud'.

Every teacher engaged on these courses often wishes that he had had the opportunity to help students, contacted for the first time on a revision course, at an earlier stage. I certainly have a firm impression that students who maintain regular contact with the college, on a day-release basis in addition to attending short courses, are generally more successful than those attending short courses only.

The introductory courses do, of course, help in guiding articled clerks over initial hazards at the outset of particular stages of their studies. The fact that there is no immediate examination pressure enables points of difficulty to be dealt with at the student's pace, without too fine a regard to a rigid time-table. Again, however, I am convinced that the student should maintain a contact with the college between introductory and

revision courses, even if only on an hour per week tutorial basis.

Future training syllabuses

It is now generally agreed that the accountant of the future must, in addition to traditional subjects, be well grounded in basic economics and in mathematical and statistical techniques. It would also seem essential that the student should be trained in an understanding of data processing systems, with an elementary knowledge of programming.

Of course, the desirability of a training in economics was recognized twenty years ago in the setting up of the Universities Joint Scheme. The recognition of the accountant's need of a mathematical grounding is more recent; gone are the days when career literature designed to attract accountancy recruits emphasized that an aptitude for mathematics was not necessary. It is likely that we shall soon become an 'A' level profession. Might it not be desirable that guidance should be given as to which 'A' level subjects would be most useful to sixth-formers contemplating the accountancy profession? Among these, economics and mathematics must rank high.

There are three further points I would like to put forward:

(1) In preparing syllabuses it should still be borne in mind that while full allowance must be given to developing techniques, we are primarily concerned with *vocational* training. Thus, for example, while mathematics should be taught, it should be confined to those branches which are relevant to business considerations and procedures. The proper sphere in which a student might wish to obtain a broader and more liberal preparation should remain the university.

(2) It would appear that in an enthusiasm for a new approach to training there is a danger of a 'throwing out the baby with the bath water'. It is certainly desirable to encourage a more critical attitude to basic techniques, but at the same time one must have a thorough grasp of these techniques before being able to use a wider economic training in judging a business's progress from its accounts. A useful analogy could be made with another field. It is necessary for the student of French literature to discipline himself to a thorough study of grammar and vocabulary, although (a parallel point) it is possible to begin the study of the former in translation while still struggling with the latter.

(3) It has been suggested that future training and examinations should be 'streamed'—i.e. industrial students will not take the same papers as those destined for the practising side. While broadly in agreement with this (having long experienced, as an instance, the frustration of accountancy students from industry who are required to make a detailed study of executorship accounts) there is one qualification: it might be useful for students specializing in one branch to study *in*

outline subjects of another aspect. An outline study of personal taxation would not come amiss to the industrial student, while an understanding of what operational research is about should not be excluded from the purview of his professional counterpart. This approach would have two advantages. First, each trained accountant would still have a full picture of the work of the profession, though specially qualified in one sphere. Secondly, individuals wishing to transfer later from one branch to another would be able to make the decision on a more informed basis, while still being required to take the more detailed papers designed for the particular branch they now wished to enter.

Future training methods

It would appear that for the foreseeable future training will continue to be divided between colleges and correspondence course tuition. One desirable step is that there should be an integration of the two methods so that the student is not grappling with two unrelated courses simultaneously.

We are faced with a shortage of accountancy teachers and it is desirable, therefore, that those we have are used in the most effective way. Their main efforts should be directed to those areas of learning where judgement and evaluation are predominant factors, at the expense of those problem sectors having predetermined solutions. Correspondence courses, together with the newer developments of programmed learning and teaching machines, could help in the communication of more standardized knowledge (although here as well, the student should have access to a tutor to guide learning and clear up particular difficulties).

A question arises as to when the English Institute's main full-time course should be undertaken by the student. At present, of course, this is placed at the commencement of articles. I would suggest that more benefit might be gained if this course came later. A common complaint of principals in the early days of the Universities Joint Scheme was that some students commencing with a period of theoretical study had difficulty in adjusting to the practical work of the office and to the studies associated therewith. While in no way detracting from the value of that scheme, there is more than a modicum of truth in this observation. In any case it is a reasonable assumption that a student, more mature and with a practical grounding, would benefit more from a critical presentation of accounting theory and allied studies introduced at a later stage. Indeed, there might be a case for having two periods of six months' full-time study at different stages of a trainee accountant's studies. In this way a student would be encouraged to maintain a discriminating and questioning attitude throughout his period of training.

There remains the question of practical training. Clearly this is vitally necessary; but one suggests that

steps should be taken to ensure that every student has a sufficient variety of experience, if necessary by changing employers during training. Certain types of experience, of course, are bound to be largely denied to the trainee accountant. These would include the making of important financial and managerial decisions and the control of large-scale operations. Here, however, the case study method – simulating real-life situations and forming part of a college course – could be a most useful element of a student's training.

Expansion of teaching force

The shortage of experienced accountancy teachers is bound to be a limiting factor in educational advance. I am sure that this problem will be greatly eased as students become more familiar with oral tuition (it is surprising how many of the younger teachers themselves received oral accounting tuition at either university or technical college). I would, however, make the following observations on developments in this connection.

(1) The main attribute of an accounting lecturer in a college is that he should be a good teacher. Of course, he must be competent in, and enthusiastic about, his subject, but if he cannot communicate knowledge he is in the wrong branch of the profession. Any scheme of teacher recruitment and training should emphasize this. If the accountancy teacher at a technical college has the desire and opportunity to carry out original research so much the better, but I feel that teaching should come first. In some quarters it is felt that current unrest among certain sections of the undergraduate population arises partly from a feeling that their teachers are more concerned with research than with their students.

(2) The accountancy bodies should seek to extend facilities (financial and other) to enable accounting teachers to take higher degrees. These can be taken in one year at certain universities, sometimes without the holder having first obtained an initial degree. The recent appointments to P. D. Leake Teaching Fellowships by the English Institute are indeed a welcome step.

(3) It is vital that the accountant entering teaching should be assured that he is not cutting himself off from the mainstream of the profession. A number of colleges allow staff a certain period each year during which to return to commerce and/or the profession in order to refresh their knowledge and to study new techniques at first hand. It would appear desirable that all colleges engaged on professional accountancy training should have comparable arrangements. Certain members of staffs may wish to specialize in particular fields and should be encouraged to do so. In this way, they would be more useful teachers and could also act as consultants in their chosen sphere.

Developments along these lines would enhance both the status and opportunities of the teaching accountant, at the same time facilitating recruitment and providing a more efficient professional education.

Reviews

Benham Economics

Eighth edition by F. W. PAISH, M.C., M.A.(CANTAB.)

Sir Isaac Pitman and Sons Ltd, London. 27s 6d.

Four years have elapsed since Professor Frank Paish first revised the late Professor Benham's standard text. This new edition has necessitated a further extensive re-writing of selected passages and chapters, in particular those relating to economic policy.

The book remains deservedly popular among students for professional examinations and the latest revisions will provide them with a useful survey of current economic events. The book remains competitively priced in relation both to its coverage and quality.

The Wealth of the Nation

The National Balance Sheet of the United Kingdom 1957-61

by JACK REVELL, assisted by GRAHAM HOCKLEY and JOHN MAYLE.

Cambridge University Press, London. £5.

When some years ago there appeared the major studies of the national wealth of the United States in the post-war period, by Dr Goldsmith, including his massive work on the national balance sheet of the U.S.A., it seemed unduly optimistic that any comparable British study would follow. Mr Revell deserves both congratulations and thanks of statisticians and economists working in this field for producing this latest monograph of the Department of Applied Economics. It is a major piece of research which typifies the attention to detail and thoroughness required by the research worker in this extremely complex field. It is not merely the spread of the work which is impressive, but also the methods used to fill in the gaps in the available statistical information.

The study falls into five major sections. The first examines the conceptual problems of this type of statistical analysis. It can reasonably be stated that the entire work is really concerned with this particular problem. Part II covers the problem of estimating personal wealth on the basis of estate duty data; Part III deals with the valuation of the interests of financial institutions and the public sector; Part IV relates to the valuation of physical assets such as stocks and work in progress, plant, equipment and buildings, in the corporate sector, while in the final part, Mr Revell deals with financial claims, i.e. company loans and share values. Accountants with a special interest in this type of statistical research which is closely allied to accountancy will find these two final sections of the book of particular interest.

Charlesworth's Mercantile Law

Eleventh edition by C. M. SCHMITTHOFF, LL.D., and D. A. G. SARRE, M.A.

Stevens & Sons Ltd, London. 35s (18s 6d paperback).

The previous edition of this standard text appeared four years ago and the new one includes references to a number of new statutes, as well as a re-written chapter on hire-purchase covering the 1965 legislation and the re-casting of the chapter on monopolies, restrictive trade practices and resale prices.

Other new legislation covered includes that on contracts of employment, married women's property, diplomatic privileges and arbitration (international investment disputes). In addition, the index has been considerably enlarged and new decisions incorporated.

There is ample evidence to suggest that this text will continue to enjoy its established popularity among students.

The Gilt-Edged Market

by ERIC CHALMERS.

W. P. Griffith & Sons Ltd, London. 30s.

Sub-titled 'A study of the background factors', this study of the market in Government paper emanated originally in a research paper prepared for private circulation by the firm of stockbrokers, de Zoete & Gorton. Its publication and consequent availability to a much larger readership is to be welcomed.

The book is a concise, thoroughly competent and comprehensive review of the gilt-edged market, its constituent stocks, and the current forces - in particular Government monetary and budgetary policies - which determine the pattern and amplitude of price fluctuations in the market.

It is a work which can be recommended in particular to students taking such papers as the General Paper in the English Institute's Final Part II examination. Needless to say practitioners with investment interests will find it authoritative and helpful.

RECENT PUBLICATIONS

THE USE OF GENERALIZED 'PACKAGED' COMPUTER PROGRAMS, by Gerald Wohl, M.B.A., C.P.A. v+218 pp. 11×8½. Card cover. \$3.50 college price. Richard D. Irwin, Inc., Homewood, Illinois.

THE LAND COMMISSION ACT 1967, by D. P. Kerrigan and I. A. Macdonald, M.A., LL.B., with the assistance of J. A. D. Hope, B.A., LL.B. xv+486 pp. 10×6½. 100s net. Butterworth & Co (Publishers) Ltd, London.

PROBLEMS OF STOCKS AND STORAGE: I.C.I. Monograph No. 4, edited by A. J. H. Morrell, M.A., F.I.S., F.S.S., A.I.A. viii+61 pp. 10×7½. 25s net. Oliver & Boyd Ltd, Edinburgh, for I.C.I. Ltd.

ACCOUNTING REQUIREMENTS FOR COMPANIES, by Frank H. Jones, F.A.C.C.A., A.C.I.S., F.C.C.S. 44 pp. 8½×5½. 7s 6d net. Barkeley Book Co Ltd, Bournemouth.

AN INTRODUCTION TO A MATHEMATICAL TREATMENT OF ECONOMICS, by G. C. Archibald and Richard G. Lipsey. 399 pp. 9½×6. 50s net. Weidenfeld & Nicolson Ltd, London.

THE LAW OF WILLS, sixth edition, by S. J. Bailey, M.A., LL.D. ix+356 pp. 10×6½. 75s. Sir Isaac Pitman & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

MANAGEMENT INFORMATION

Asset Mobility in Investment Decision

IN recent years it has become increasingly recognized that the investment of a company's funds in new assets is one of the most difficult, and at the same time the most critical, that the management of the company must make. Difficult because the proper appraisal of such an investment involves an examination of the uncertainties of the future. Critical because the quality of the decision that is made will have wide-ranging effects upon the future profitability of the company.

Purpose of the investment decision

Recognition of the importance of the investment decision has led to a re-examination of the methods used in its appraisal. To the more traditional accounting 'rate of return' and 'pay-back period' methods has been added in recent years the various forms of the discounted cash flow technique. With the exception of the pay-back method, the appraisal of investment has had as its prime objective the measurement of the expected rate of profit on the investment so that management can select and approve the more profitable projects and discard those which are the least profitable.

This objective of identifying the most profitable projects is not questioned here. Its relevance to the future level of profitability of the company is not seriously questioned today. The achieved level of profitability will, in practice, however, consist of projects approved in the past. Among these projects will be those which have achieved or exceeded the forecast results, and those which have fallen short of forecast to a greater or less degree. Even with first-class forecasting, one may expect to see in a typical company a combination of projects which will include both successes and failures.

The more serious the failure of the project, the greater will be its effect in pulling down the return on capital employed in the company. If, however, one can identify methods of limiting the adverse effect of such failure when making the original decision to invest funds, then one can build into the system of capital investment appraisal a limiting factor to fall in the level of profitability.

The mobility factor

An article entitled 'Capital mobility and the investment decision', by Nathan Schmuckler, in the July-August issue of *Management Services* (New York), suggests one approach to this problem based upon a study of the relative mobility of the assets in which the funds are to be invested. The author does not in any sense suggest that one should forgo the process of ranking projects in order of profitability, but rather that after this process has taken place and before the decision is made, some appraisal of the relative mobility of the assets involved should be carried out.

Let us assume, for example, that a company is to launch a new product on to the market, and that the production requirement can be met either by the installation of an automated plant which is completely specialized to the product, or by the installation of more general purpose machinery which could be used on other products if necessary. It might be expected in such a situation that the automated plant would probably be the best from the point of view of profitability. The whole project is one, however, where the risk factor is high and if it was desired to limit the loss which would result from failure of the new product, the alternative which requires the use of general purpose plant may prove to be the more attractive. This accrues from the fact that the general purpose plant may be readily moved into other uses with little or no loss in economic value, whereas the whole of the value of the highly specialized plant is likely to be lost in the event of the project failing.

Mobility and flexibility

This concept of mobility may also have important repercussions on the flexibility of operations of the business as a whole. Where investment in the past has been made in equipment with a very low degree of mobility, there will be a natural reluctance to take early steps to abandon the project if it proves to be a failure; and because the closure of the project would result in the loss of a large proportion of the value of the assets, management will be tempted to persist for longer than it otherwise would in its attempts to put the project on its feet. Such attempts being very likely to increase the overall loss from the project in the long run.

Where, however, the assets have a high degree of mobility such inhibitions are no longer present. Management will be solely concerned with the return that can be earned on the assets in their present use, and what could be earned on them in the alternative uses. In such conditions low or negative profitability is likely to result in prompt remedial action.

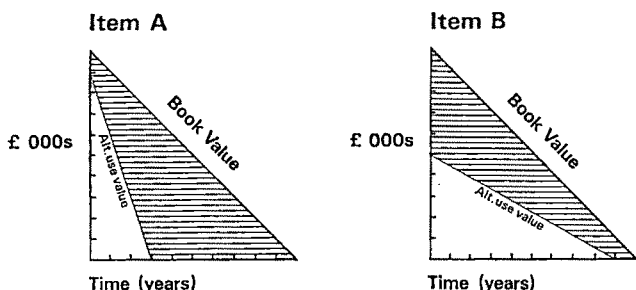
Measurement of comparative mobility

The alternative use value of plant may form a varying ratio to the cost of the original investment, i.e. plant may be usable on alternative products or processes where it retains all its value; it may be down graded to a use which would not normally require such sophisticated plant, but where it can retain a reasonable proportion of its value; or it may be so specialized that it has no alternative use at all.

If suitable consideration is to be given to the mobility factor in the investment decision some method must be devised of measuring it. In his article Mr Schmuckler suggests three ways of achieving this. The simplest way is

to establish a mobility scale with, say, 1 representing the least mobile assets and 10 the most mobile. All categories of plant will be then allocated to a section of this scale.

A more sophisticated method is to assess the alternative use value of the plant and to express this value as a percentage of the cost of the original investment to arrive at the comparative mobility. This method only takes into account the initial alternative use value which may vary considerably over the life of the plant. The remaining method is designed to take into account the continuing relationship between the alternative use value and the book value of the plant. For example, two items of plant may have the following characteristics:



Item A has an alternative use of high initial value and short duration, whereas Item B has a low initial value for alterna-

tive use but which is much more durable. To assess the comparative mobility of the projects one needs a measurement of the relevant values of the shaded areas representing the difference between book value and alternative use value over the life of the plant. This measurement can be obtained by dividing the sum of the book values for the plant at the end of each year into the sum of the alternative use values at the end of each year.

Relevance of mobility to risk

When dealing with investment decisions one must recognize that the element of risk and uncertainty in each may vary widely. The replacement of plant for an established and continuing product line has a much smaller risk factor than the provision of specialized plant for a new, and as yet untried, product. The extent to which the mobility factor is relevant to the investment decision will depend upon this degree of risk and uncertainty. Where the risk factor is high then the mobility factor should receive the maximum consideration, whereas an investment where risk is at a minimum will not be greatly concerned with comparative mobility.

This would seem to argue that the investment appraisal system should incorporate a grading of projects by the degree of risk and alongside this grading an assessment of the degree to which the mobility factor must be taken into account in that class of investment.

Finance and Commerce

British Match

THIS column must admit to a shade of selfishness in choosing the accounts of British Match Corporation Ltd as the subject of this week's reprint, for the company's profit and loss account begins where profit and loss accounts, in this column's opinion, should begin - with sales. In this case, sales split between the match industry and other activities, and it is this split which always attracts interest when the report comes round year by year.

This attention stems not so much from the accounts themselves which have no outstanding attributes and could, in point of fact, be more clearly presented in columnar rather than double-sided form, but rather from the figures under the heading 'Relationship of match and other interests' which appear regularly as part of the chairman's statement.

These show, in asset and profit percentages, the variation and trends of the two sides of the group and provide an opportunity for feats of figure juggling and calculation, particularly with reference to the corresponding profit figures in the ten-year earnings record included in the accounts - but not, for reasons of space, in the reprint.

Match - and other interests

For the benefit of readers who would like to do their own figure juggling and calculations the following table, taken from the chairman's statement, is lengthened by a further line stating the actual pre-tax profits of the relative years.

Year to March 31st	1967	1966	1965	1964	1963
	per cent	per cent	per cent	per cent	per cent
Asset values:					
Match industry	53.1	54.4	54.3	60.4	75.0
Other activities	46.9	45.6	45.7	39.6	25.0
Profit before tax:					
Match industry	77.4	78.0	78.3	74.9	81.1
Other activities	22.6	22.0	21.7	25.1	18.9
Actual profit £000	£4,238	£4,433	£4,739	£4,327	£4,983

The increase in assets outside the match industry in the 1967 figures is mainly due to a new Canadian plywood plant, which has only recently come into production and is not expected to reach the profit earnings stage before 1968. Outside the match industry, the group's principal investment is in Aircrow-Weyroc, the leading producer of wood chipboard in the United Kingdom and also an important manufacturer of industrial fans. There are also interests in printing and packaging and in fireworks and pyrotechnics.

BRITISH MATCH CORPORATION LTD AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year to 31st March 1967GROUP SALES
Match industry
Other activities

1967	1966
£	£
28,995,000	28,515,000
23,979,000	21,472,000
<u>£52,974,000</u>	<u>£49,987,000</u>

GROUP PROFIT BEFORE TAXATION
Taxation

4,982,742	4,327,393
<u>2,253,770</u>	<u>2,216,744</u>

GROUP PROFIT AFTER TAXATION
Add Provisions for taxation no longer required
Estimated overspill relief

2,728,972	2,110,649
127,578	915,880
<u>85,000</u>	<u>—</u>
2,941,550	3,026,529

Deduct Amounts attributable to—
Outside shareholders in subsidiaries
Periods prior to acquisition

433,135	418,997
<u>—</u>	<u>3,680</u>

433,135	422,677
<u>2,508,415</u>	<u>2,603,852</u>

PROFIT ATTRIBUTABLE TO HOLDING COMPANY

DIVIDENDS—

Preference	8d	1s	7d
Ordinary (per £1 stock)—	8d		
1st interim paid	—	1s	7d
2nd " "	—	1s	7d
Final proposed	2s	3d	2s
Payable to stockholders			

Income tax

Less Retained (1967 in respect of one year surplus of holding company and subsidiaries)

Payable to Inland Revenue

52,734	52,734
<u>243,375</u>	<u>243,375</u>
—	578,014
578,014	—
<u>821,389</u>	<u>821,389</u>
874,123	874,123
<u>613,746</u>	<u>613,746</u>
157,737	613,746
<u>453,009</u>	<u>—</u>

1,330,132	874,123
<u>£1,178,283</u>	<u>£1,729,729</u>

PROFIT RETAINED

NOTES ON THE PROFIT AND LOSS ACCOUNT

GROUP SALES

Sales include duty where appropriate and exclude inter-company transactions.

1967	1966
£	£

GROUP PROFIT BEFORE TAXATION is arrived at after:

Charging

Bank interest	289,348	329,678
Debenture interest	94,957	—
Depreciation	1,648,824	1,538,538
Exchange loss	34,154	182,667

Including

Dividends from trade investments	99,364	88,748
Interest on quoted investments	24,774	24,378

REMUNERATION OF DIRECTORS OF HOLDING COMPANY

Fees

66,793	54,248
16,722	16,458
14,936	16,249
<u>£117,523</u>	<u>£104,881</u>

TAXATION

The taxation charge against profits is made up as follows

United Kingdom—		
Profits tax	2,262	225,911
Income tax	11,737	631,572
Corporation tax	1,153,692	482,122
	<u>1,167,691</u>	<u>1,339,605</u>
	447,826	569,453
	<u>719,865</u>	<u>770,152</u>

Deduct Double taxation relief

Overseas (including Brazilian taxation arising on revaluation of fixed assets £39,174 1966 £108,427)

1,533,905	1,446,592
<u>£2,253,770</u>	<u>£2,216,744</u>

Charges for tax equalisation for the year amounting to £44,004, 1966 £92,991 for United Kingdom companies and £210,807 1966 £46,728 for overseas companies are incorporated in the above figures.

United Kingdom taxation for 1966 is after deducting investment allowances relief of £66,838.

PROFIT OF THE HOLDING COMPANY

The proportion of "profit attributable to holding company" dealt with in that company's accounts was £935,889 1966 £2,372,709. In addition dividends, less income tax, amounting to £50,998 1966 £4,473,604 received from subsidiaries out of prior years' profits have been taken direct to revenue reserve.

Declining market

Unfortunately, unlike profits figures, assets figures running back over the necessary five years are not included in the British Match 'Summary of consolidated figures'. Perhaps it is just as well, on second thoughts, since equating the relative percentages to the actual figures would take the figure doodling exercise still further.

But a further collection of figures included in the chairman's statement shows why British Match has, over the past decade and more, built up its non-match interests. Matches are a declining market. It is not exactly difficult to see why. All-electric homes, lighters attached to gas stoves, gas poker for lighting fires and the rest, all come into it. It only seems to leave pipe smokers and garden bonfire lighters as match users although there must be others.

But figures for 'Consumption of matches in the United Kingdom' show how the market has dwindled in five years:

		Millions of Customs Units				
		1966	1965	1964	1963	1962
British .. ..	..	8.9	9.3	9.4	9.8	10.1
Imported .. ..	..	5.3	5.7	6.1	6.2	6.0
Total .. ..	..	<u>14.2</u>	<u>15.0</u>	<u>15.5</u>	<u>16.0</u>	<u>16.1</u>

At the risk of tempting further arithmetical playtime, it may be pointed out that a customs unit consists of 7,200 matches and is equivalent to one gross of boxes each containing fifty matches. The number of matches 'consumed' in 1966 therefore was 7,200 times 14,200,000 - which is quite a lot of matches.

Overseas earnings

Of British Match's 1966-67 profits, the larger part was earned overseas, shareholders are told. A more stable cruzeiro brought a strong recovery in profits in Brazil, there was some improvement in Canadian earnings and maintained profits in South Africa, Australia and New Zealand. Outside the match industry, Aircrow-Weyroc 'managed a welcome increase in profits despite all difficulties'.

The full weight of the changed tax structure on the group was lightened under the transitional provisions of the Finance Act 1965. The once-for-all relief in respect of 'one year surplus' amounted to £185,000 and £85,000 of 'over-spill' is expected to continue at about the same level for two more years before tapering off, inevitably, over the following four.

Earlier, but now no longer needed, tax provisions of £128,000 have been brought to credit, and total tax reliefs and write backs amount to £371,000 in the latest accounts, with £286,000 non-recurring. Of £137,500 estimated investment grants receivable, 40 per cent (£55,000) has been credited to tax equalization account and the balance taken to revenue reserves.

These explanations of tax changes, in the chairman's statement, lead to 'regret' that high taxation 'has the effect of making ordinary stockholders effectively little better off than they were four years ago, thus robbing them of any return on the large sums which have been ploughed back into risk capital during this period'. The board has 'reluctantly' kept the dividend at 2s 3d a share.

BRITISH MATCH CORPORATION LTD AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET at 31st March 1967**

	1967 £	1966 £		1967 £	1966 £
ISSUED SHARE CAPITAL OF BRITISH MATCH CORPORATION LTD			FIXED ASSETS (note 5)	28,146,939	26,605,513
5½ per cent Cumulative Preference Stock	1,631,998	1,631,998			
Ordinary Stock	12,427,635	12,427,635	TRADE INVESTMENTS, as valued by the directors in 1958 with subsequent additions at cost	600,788	639,124
	14,059,633	14,059,633		28,747,727	27,244,637
CAPITAL RESERVES (note 2)	2,561,490	2,206,939			
REVENUE RESERVES (note 2)	13,566,903	12,692,235	CURRENT ASSETS		
	30,188,026	28,958,807	Stocks (note 6)	10,695,708	9,988,226
INTERESTS OF OUTSIDE SHAREHOLDERS IN SUBSIDIARIES	4,092,416	4,018,485	Debtors	7,511,840	6,616,440
TAX EQUALISATION (note 3)	1,519,712	1,169,818	Quoted investments, at lower of cost and market value (note 7)	700,643	688,094
SUBSIDIARY COMPANY'S DEBENTURES (note 4)	2,494,284	—	Bank balances, cash and short term deposits	1,924,552	1,442,252
CURRENT LIABILITIES				20,831,943	18,735,012
Amounts owing to banks—					
Unsecured	2,884,979	5,362,642			
Secured	811,363	782,324			
Trade and other creditors	4,766,866	4,401,717			
Taxation	2,101,161	1,156,051			
Dividends—					
Holding company	599,986	21,972			
Subsidiaries to outside shareholders	120,877	107,833			
	11,285,232	11,832,539			
	<u>£49,579,670</u>	<u>£45,979,649</u>		<u>£49,579,670</u>	<u>£45,979,649</u>

The notes on pages [458] form part of these accounts

268262

BRITISH MATCH CORPORATION LTD AND SUBSIDIARIES

NOTES ON THE ACCOUNTS

1 CONSOLIDATED ACCOUNTS

The consolidated accounts incorporate the accounts of British Match Corporation Ltd and its home subsidiaries for the year to 31st March 1967, those of its Brazilian subsidiaries for the year to 30th September 1966 and those of its other overseas subsidiaries for the year to 31st December 1966.

In the opinion of the directors a change in the accounting dates of the overseas subsidiaries to coincide with that of the holding company would unduly delay the preparation of group accounts and would not be in the best interests of the group.

At 1st January 1967 a Brazilian subsidiary acquired the whole of the share capital of Cia Elterroquimica Paulista. As this acquisition was subsequent to the end of the Brazilian subsidiary's financial year, the accounts of the newly acquired company have not been consolidated.

2 RESERVES

	Capital	Revenue
Group	Arising on consolidation	Others
Balances 31st March 1966	—125,143	2,332,082
Arising on changes in composition of group	—26,617	12,692,235
Arising on revaluation of investments, including investments in subsidiaries after taking account of capitalisation of reserves by subsidiaries	26,617	—26,617
Capital grants		64,035
Investment grants (note 5)		82,275
Discount and expenses of issue of subsidiary company's debentures		—75,393
Other adjustments		—11,459
Transfers between reserves		301,130
Profit retained		1,178,283
Balances 31st March 1967	—125,143	2,686,633
	<u>£2,561,490</u>	<u>£13,566,903</u>

Dividends declared out of the revenue reserve balances held in overseas companies amounting to £3,355,030 1966 £3,002,007 could attract United Kingdom taxation if they were repatriated. Of these balances £339,509 1966 £263,915 relates to subsidiaries in Brazil, the balances of which are subject to approval by the Brazilian authorities, and £1,020,000 to revenue reserve balances of Eddy Match Co Ltd which are subject to the restrictions contained in the Debenture Trust Deed (note 4) are not available for payment of dividends on the Common stock of that company.

Holding Company

Balances 31st March 1966	8,230,140
Dividends, less income tax, received from subsidiaries out of prior years' profits	50,998
Profit attributable to the holding company dealt with in that company's accounts	935,889
	<u>9,217,027</u>

Deduct

Dividends paid and proposed (gross)	1,487,869
Less One year surplus attributable to the holding company	18,513
	<u>1,469,356</u>
Balances 31st March 1967	<u>£7,747,671</u>

3 TAX EQUALISATION

Balance 31st March 1966	1,169,818
Charge for the year	254,811
Proportion of investment grants (note 5)	54,958
Prior year adjustments	40,125
Balances 31st March 1967	<u>£1,519,712</u>

The tax equalisation account is based on taxation at current rates on the excess of initial and writing down allowances computed for tax purposes over depreciation to date calculated on original cost of assets acquired.

Further depreciation arising from the revaluation of assets, and amounting to some £4,250,000, will have to be provided out of taxed profits of the group in the future over the period of the unexpired lives of the assets.

4 SUBSIDIARY COMPANY'S DEBENTURES

Eddy Match Co Ltd issued on 1st June 1966 Can \$7,500,000 6½ per cent Sinking Fund debentures, series A, of which the following amounts are redeemable at par on 1st June in each of the following years—

Can \$	1972 and 1973
300,000	1974 to 1976
375,000	1977 to 1980
525,000	1981 to 1985
600,000	1986
675,000	

or, under certain conditions, at the option of the company at a premium not exceeding 5%.

5 FIXED ASSETS

Assets at valuation or at cost	Freehold land and buildings	Plant and machinery	1966 Total
Less Depreciation	15,659,374	22,302,386	37,961,760
	2,321,967	7,492,854	9,814,821
	<u>£13,337,407</u>	<u>£14,809,532</u>	<u>£28,146,939</u>
	<u>£12,740,848</u>	<u>£13,864,665</u>	<u>£26,605,513</u>

The group is committed to capital expenditure amounting to approximately £1,050,000 1966 £975,000. Investment grants receivable for the period of 31st March 1967 amount to £137,233, of which £82,275 has been credited to revenue reserve and £54,958 to tax equalisation.

6 STOCK VALUATION

Stocks have been valued on bases consistent with those adopted at the previous balance sheet date and by methods of computation appropriate to the activities of the companies in the group; they include £526,971 1966 £404,761 expenditure on standing timber.

7 QUOTED INVESTMENTS AT LOWER OF COST AND MARKET VALUE

	Group	Holding Company
United Kingdom	1967	1966
Overseas	539,566	529,588
	161,077	148,847
	<u>£700,643</u>	<u>£529,588</u>
Market value	<u>£731,826</u>	<u>£588,434</u>
		<u>£563,605</u>

8 EXCHANGE CONVERSIONS

Assets and liabilities arising in overseas currencies have been converted into sterling on the following bases—

Fixed assets: approximately at average rates ruling during the year of acquisition.

Current assets and liabilities: at rates ruling at dates of balance sheets, with the exception of those in Brazil which have been converted at NCR \$7.1 to £ 1966 NCR \$6.7 to £.

Subsidiary company's debentures: at rate ruling at date of issue.

9 CONTINGENT LIABILITIES, ETC

There are contingent liabilities (a) of the holding company for partly paid shares of £22,500, (b) of a subsidiary for employees' savings deposits of £70,000, against which securities and cash are held by trustees, and (c) of subsidiaries for guarantees, legal action, bills discounted and overseas taxation of £229,000. There is a commitment to pay by annual instalments within the next 12 years some £340,000 to employees' pension schemes in respect of past service.

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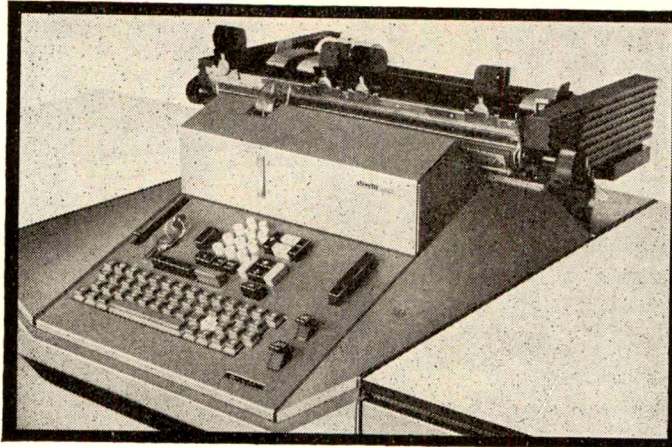


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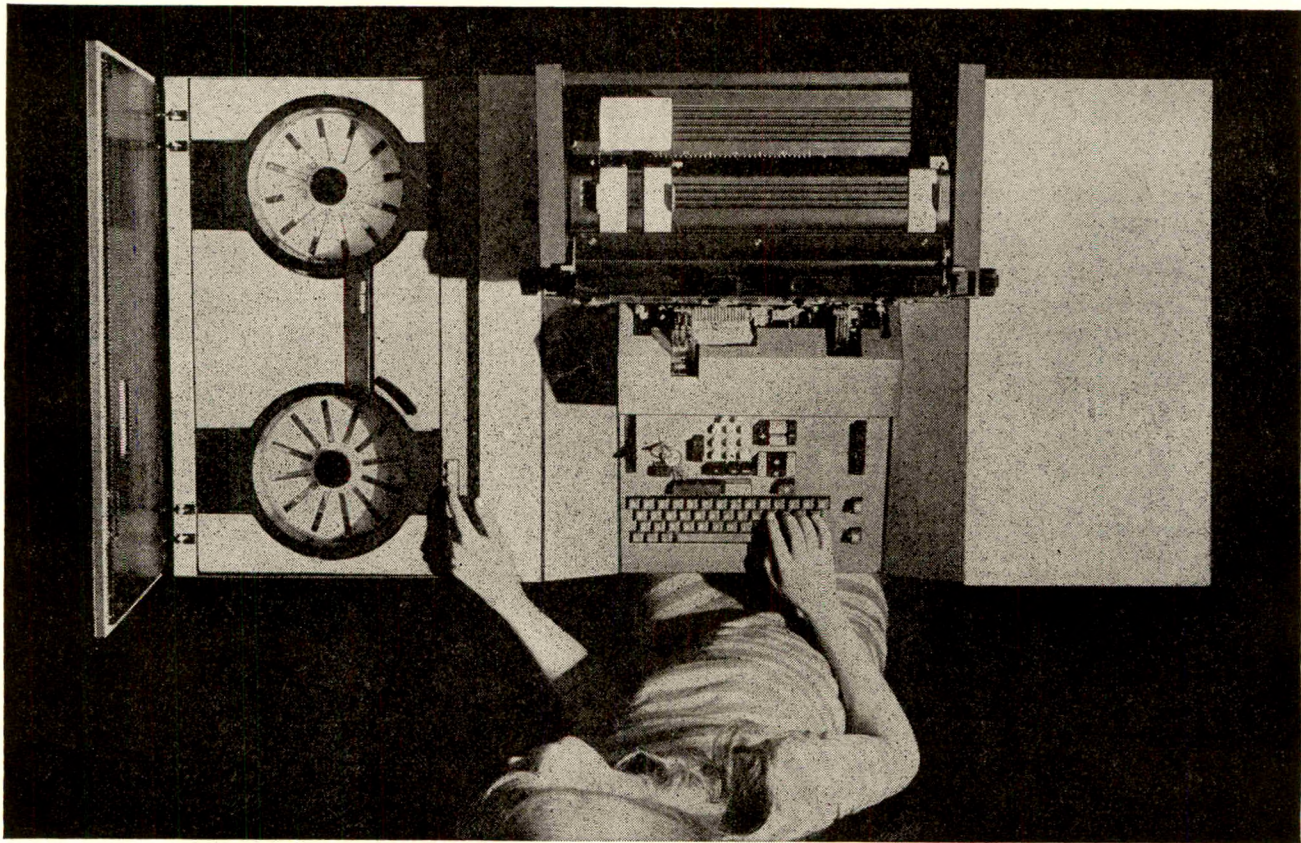
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CITY NOTES

ALTHOUGH there are some current doubts as to whether the all-out inflation on which the equity market was banking a while back is, in fact, going to develop, the stock-market remains firm. A short sharp drop from the 'all-time high' in one week was quickly made good the next and the new outburst of take-over activity has had much to do with the share price rebound.

There is also evidence, according to stockbrokers, that small private clients are now taking a buying hand in the equity market. To the cynics that may suggest that the bulk of the equity rise is now spent since the small private client's timing in terms of when to buy and when to sell is normally rather inept. A rise usually has to set in and be maintained for some months before small investors buy and a fall, by the same token, usually has to run fairly deep before small investors are worried out of their holdings.

Certainly there seems to be no lack of institutional confidence in equity markets and buying still comes in on any reaction from peak prices.

THE General Electric - Associated Electrical Industries affair has brought a new dimension to the take-over situation. The Industrial Reorganization Corporation has apparently come down in favour of the deal and that would seem to rule out any interference from the Board of Trade in Monopolies Commission terms. Such logical thinking, however, is not necessarily reliable. But if I.R.C. is prepared to prompt mergers on this scale, then take-over thinking has to be stepped up a good few notches on the financial scale. Although I.R.C. has apparently given its blessing to a G.E.C./A.E.I. merger, it has, at the same time, prompted a take-over conflict which is not necessarily the

same thing. Baring Bros, who are advising A.E.I., planned the Courtaulds' defence against I.C.I.'s approach which began with merger ideas and ended with an all-out take-over battle.

AFTER a period of peace following the Chequers talks instigated by the Chancellor of the Exchequer earlier this year, short-term interest rate war has broken out again. It has broken out at an embarrassing time for sterling, for the rate against the dollar has been allowed to ease back to the bottom of the 2.78-2.82 quotation margin. But a strong move towards higher interest rates in the United States has forced a parallel rise in London for sterling protection purposes. The prospect of a flow of funds to New York rather than London is not an encouraging one under present conditions.

As a result, short-term rates have hardened in London and the Treasury bill rate is virtually in line with Bank rate at $5\frac{1}{2}$ per cent. Any further rise in United States interest rates would make the London interest rate position decidedly awkward.

REPORTS of further Ministry of Technology financial backing for computer development are likely to direct increased City attention towards International Computers and Tabulators and the English Electric-Elliott Automation position. There is still a strong view that, although an English Electric 'take-over' of I.C.T. is doubtful, there will be further rationalization in the industry through the concentration of pure computer development in I.C.T. and of computer application inside the English Electric-Elliott Automation group.

RATES AND PRICES

Closing prices, Tuesday, October 3rd, 1967

Tax Reserve Certificates: Companies $3\frac{3}{4}\%$ (24/6/67); $2\frac{1}{2}\%$ surrendered for cash (15/4/67); Personal $3\frac{1}{2}\%$ (27/6/66)

Bank Rate				Money Rates			
Jan. 3, 1963 ..	4%	July 14, 1966 ..	7%	Day to day ..	$3\frac{1}{2}-5\frac{7}{16}\%$	Bank Bills	
Feb. 27, 1964 ..	5%	Jan. 26, 1967 ..	$6\frac{1}{2}\%$	7 days ..	$3\frac{1}{2}-5\frac{7}{16}\%$	2 months ..	$5\frac{1}{2}-5\frac{11}{16}\%$
Nov. 23, 1964 ..	7%	Mar. 16, 1967 ..	6%	Fine Trade Bills		3 months ..	$5\frac{1}{2}-5\frac{11}{16}\%$
June 3, 1965 ..	6%	May 4, 1967 ..	$5\frac{1}{2}\%$	3 months ..	$6\frac{1}{2}-7\%$	4 months ..	$5\frac{11}{16}-5\frac{13}{16}\%$
				4 months ..	$6\frac{1}{2}-7\%$	6 months ..	$5\frac{11}{16}-5\frac{13}{16}\%$
				6 months ..	$6\frac{1}{2}-7\frac{1}{8}\%$		
Treasury Bills				Foreign Exchanges			
July 28 ..	£5 6s 10.69d%	Sept. 1 ..	£5 5s 9.56d%	New York ..	2.78 $\frac{1}{2}$	Frankfurt ..	11.14 $\frac{1}{2}$
Aug. 4 ..	£5 6s 10.62d%	Sept. 8 ..	£5 5s 9.49d%	Montreal ..	2.99 $\frac{1}{2}$	Milan ..	1734 $\frac{1}{2}$
Aug. 11 ..	£5 6s 10.56d%	Sept. 15 ..	£5 5s 9.26d%	Amsterdam ..	10.01 $\frac{1}{2}$	Oslo ..	19.91 $\frac{1}{2}$
Aug. 18 ..	£5 5s 10.85d%	Sept. 22 ..	£5 7s 4.65d%	Brussels ..	138.21	Paris ..	13.68 $\frac{1}{2}$
Aug. 25 ..	£5 5s 9.96d%	Sept. 29 ..	£5 9s 5.98d%	Copenhagen ..	19.29 $\frac{1}{2}$	Zürich ..	12.09 $\frac{1}{2}$

Gilt-edged

As well as the usual prices quoted at the close of business on press day, we also give below the quarter-end prices.

	Sept. 29th 1967	Oct. 3rd 1967		Sept. 29th 1967	Oct. 3rd 1967
Consols 4% ..	58 $\frac{1}{2}$	58 $\frac{1}{2}$	Funding 6% 1993 ..	88 $\frac{1}{2}$	88 $\frac{1}{2}$
Consols 2 $\frac{1}{2}\%$..	36 $\frac{1}{2}$	36 $\frac{1}{2}$	Savings 3% 60-70 ..	90 $\frac{1}{2}$	90 $\frac{1}{2}$
Conversion 3 $\frac{1}{2}\%$..	50 $\frac{1}{2}$	51	Savings 3% 65-75 ..	76 $\frac{1}{2}$	76 $\frac{1}{2}$
Conversion 5% 1971 ..	94 $\frac{1}{2}$	94 $\frac{1}{2}$	Treasury 6 $\frac{1}{2}\%$ 1976 ..	99 $\frac{1}{2}$	99 $\frac{1}{2}$
Conversion 5 $\frac{1}{2}\%$ 1974 ..	93 $\frac{1}{2}$	93 $\frac{1}{2}$	Treasury 3 $\frac{1}{2}\%$ 77-80 ..	76	76 $\frac{1}{2}$
Conversion 6% 1972 ..	97 $\frac{1}{2}$	98 $\frac{1}{2}$	Treasury 3 $\frac{1}{2}\%$ 79-81 ..	72	72 $\frac{1}{2}$
Funding 3 $\frac{1}{2}\%$ 99-04 ..	57 $\frac{1}{2}$	57 $\frac{1}{2}$	Treasury 5% 86-89 ..	78 $\frac{1}{2}$	78 $\frac{1}{2}$
Funding 4% 60-90 ..	95 $\frac{1}{2}$	95 $\frac{1}{2}$	Treasury 5 $\frac{1}{2}\%$ 08-12 ..	80 $\frac{1}{2}$	80 $\frac{1}{2}$
Funding 5 $\frac{1}{2}\%$ 78-80 ..	87 $\frac{1}{2}$	87 $\frac{1}{2}$	Treasury 2 $\frac{1}{2}\%$..	36 $\frac{1}{2}$	36 $\frac{1}{2}$
Funding 5 $\frac{1}{2}\%$ 82-84 ..	87 $\frac{1}{2}$	87 $\frac{1}{2}$	Victory 4% ..	96 $\frac{1}{2}$	96 $\frac{1}{2}$
Funding 5 $\frac{1}{2}\%$ 87-91 ..	85 $\frac{1}{2}$	86 $\frac{1}{2}$	War Loan 3 $\frac{1}{2}\%$..	51 $\frac{1}{2}$	51 $\frac{1}{2}$

I.C.W.A. Summer School at Cambridge

NEARLY one hundred members of The Institute of Cost and Works Accountants, representing a wide range of industrial experience, attended the Institute's summer school held at St Catharine's College, Cambridge, from September 18th to 23rd. The main theme of the course was a study of techniques which have been developed in recent years to assist management in decision-making. A most interesting address on the development of management accountancy on the North American continent was given on the Friday by Dr G. Moller, a distinguished speaker from Canada.

The school was opened by the President of the Institute, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., and the first paper, on 'Quantitative methods in management control', was introduced by Mr J. Murdoch, B.Sc., A.R.T.C., A.M.I.PROD.E., senior lecturer in statistics and operational research at the College of Aeronautics, Cranfield.

Mr Murdoch dealt with the application of statistics and operational research techniques in quantifying problems and producing information required by management in its decision-making processes under particular conditions. After outlining some of the basic concepts of statistics such as probability theory and the laws of distribution, including the use of the Poisson method, Mr Murdoch illustrated their potential use by a series of examples.

Mathematical programming in its various forms was, in the opinion of the speaker, one of the most significant developments in scientific management. The main advantage of using these techniques was that they provided the means for finding best possible solutions. Management must, however, be selective in using programming methods as these were often unsuitable for solving problems where information was insufficient or uncertain.

Finally, the speaker discussed various aspects of opera-

tional research techniques which were often wrongly regarded by management as a long-term method of investigation, whereas they could, in fact, be used for obtaining a quick solution when required.

As on previous occasions, members of the school were divided into discussion groups, and each group had the task of analysing, discussing and solving various practical exercises set by the speaker. The activities of the groups were subsequently discussed at the joint sessions of the whole school. This procedure helped to stimulate creative thinking and encouraged free exchange of views and ideas by participants representing a wide cross-section of industries.

Mr Murdoch's sessions aroused a great deal of interest and members found much intellectual challenge in the subject-matter of his paper.

A case study

The second paper, dealing with 'The application of management techniques', was presented at the Wednesday morning session by Mr J. R. Potts, F.C.A., F.C.W.A., J.DIP.M.A., manager, Management Control Systems, Standard Telephones and Cables Ltd. Following a concise summary of several management techniques which can be successfully used in many areas of major financial reports, the author considered some problems involved in the introduction of these techniques into a business organization. Management involvement was the prime factor in the successful application of new techniques. The second factor was the calibre of the men charged with recommending or installing the techniques. Only top men should be selected for the task, even if this meant paying top salaries.

Members of the school were subsequently asked to consider a case study of a hypothetical company whose manage-



The President of the Institute, Mr C. E. Sutton, F.C.A., F.C.W.A., J.Dip.M.A. (centre), with two of the speakers at the Summer School, Mr J. Murdoch, B.Sc., A.R.T.C., A.M.I.Prod.E. (left), and Mr J. R. Potts, F.C.A., F.C.W.A., J.Dip.M.A.

One of the discussion groups at the Summer School.



ment, worried by declining profits and rising assets, decided to invite a group of consultants to recommend such management techniques as might be required to get the business on to a sound footing. For the purpose of this exercise the discussion groups were divided towards the end of their deliberations into 'consultants' and 'managing directors', and – at the later full session of the school – the latter reported on the 'consultants' advice and evaluated its possible effect on the company.

Cost and investment analysis

Introducing his paper on 'Cost and investment analysis in the 70s', Mr P. J. W. Ambler, M.A., F.C.W.A., J.DIP.M.A., of P.A. Management Consultants Ltd, referred to the need for management accountants to develop specialized abilities, which, in his view, were essential if they were to carry out their main function of providing top management with information. Numerical literacy – the ability to extract the meaning and message of figures and appreciate their significance, economic awareness of basic facts and figures, and numerical recollection (the ability to remember meaningful numerical data) were some of the chief ingredients in the management accountant's professional make-up. These abilities were later put to test when the groups were asked to analyse and draw conclusions from an incomplete set of statistics and to prepare a balance sheet and a profit and loss account for U.K. manufacturing industry as a whole.

In discussing the approach to long-term business problems, Mr Ambler made a clear distinction between risk-taking and resource usage, which were comparable to strategy and tactics, forecasting and planning, achieving and performing. Many managers today were much more careful about not being wrong than they were about being right, and the tendency was to avoid risks rather than take them. But the only way to survive in fiercely competitive conditions was to introduce and accept changes, and to change profitably one must learn to evaluate risks. The price paid for under-utilization of resources was often very high, and new techniques, forecasting methods and controls were needed in future to counteract the misuse of resources.

Contribution from Canada

On the Friday morning a full session of the school was addressed by Dr G. Moller, D.JUR., F.C.A.(CAN.), R.I.A., vice-president of finance and administration, Robertson-Irwin Ltd, of Canada, and a director of the Society of Industrial and Cost Accountants of Canada. Dr Moller, who described himself as 'a blend of European and American experience', pointed out that management accountants today must have a much wider knowledge covering many fields outside their professional expertise if they were to succeed in their task of supplying management with the best possible, relevant information. After an interesting survey of the main developments in management accountancy on the North American continent in recent years, Dr Moller answered numerous questions from the audience. He warned management accountants to be careful in selecting and using or recommending the use of new techniques, many of which – even in America – were not always properly understood or applied. The risk element inherent in these new tools of management must be accepted, however, because there could be no progress without risk-taking.

Closing dinner

The summer school ended on the Friday night with dinner held in the Hall of St Catharine's attended by members and invited guests. The toast to the University and City of Cambridge was proposed by Mr J. P. Wilson, F.C.W.A., F.C.I.S., a past President of the Institute. Prof. E. E. Rich, Litt.D., Master of St Catharine's College, responded on behalf of the University, and Alderman M. N. Bradford, Deputy Mayor of Cambridge, on behalf of the City. The toast of The Institute of Cost and Works Accountants was proposed by Mr W. Givens Smith, F.C.A., R.I.A., President of the Society of Industrial and Cost Accountants of Canada. The reply was given by the President of the Institute.

During the dinner the President presented to the Master an inscribed silver sugar-bowl to mark the fifteenth occasion on which the Institute's summer school had been held at St Catharine's College.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BLACKBURNS, ROBSON, COATES & Co, Chartered Accountants, announce the admission into partnership as from September 1st, 1967, of Mr B. ARMITAGE, A.C.A., and Mr K. ASHTON, F.C.A., who are respectively partners of EASTWOOD, TOWNEND & Co, of Bradford, and DRYDEN, DORRINGTON & Co, of Manchester, with which firms there has been a close association for some years.

MESSRS COOPER BROTHERS & Co, HENRY SMITH, HAMER & Co and COOPERS & LYBRAND, announce that they have amalgamated their Manchester practices which will be carried on from St James's House, Charlotte Street, Manchester 1.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co announce the admission into their London partnership as from October 1st, 1967, of Mr C. J. STRONGE, B.A., A.C.A., and Mr B. G. BLACKBORN, A.C.A., both of whom have been senior members of the London staff for some years.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co announce the admission into their South Wales partnership as from October 1st, 1967, of Mr R. P. V. REES, A.C.A. Mr REES has been a senior member of the Cardiff staff for some years.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co and DELOITTE, PLENDER, HASKINS & SELLS announce the admission into their Brussels partnerships as from October 1st, 1967, of Mr A. E. WILLIAMS, B.A., C.A. Mr WILLIAMS was a senior member of the Paris staff for some years.

MESSRS DELOITTE, PLENDER, HASKINS & SELLS announce the admission into their Madrid partnership as from October 1st, 1967, of Mr H. J. F. MARSHALL, B.A., A.C.A. Mr

MARSHALL was a senior member of the Paris staff for some years.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co and DELOITTE, PLENDER, HASKINS & SELLS, Belgian firms, announce the retirement on September 30th, 1967, of Mr E. A. McGEACHY, C.A., after nearly forty years' service, during the last fifteen of which he was a resident partner in Brussels.

MESSRS GRAHAM, SMART & ANNAN, Chartered Accountants, of 22 Charlotte Square, Edinburgh, announce that Mr R. IAN MARSHALL, B.COM., C.A., retired from the firm on September 30th, 1967. The remaining partners will continue the practice and the firm name remains unchanged.

MESSRS HARMOOD BANNER & Co, of London and Liverpool, and HUGH SMYLLIE & SONS of Belfast, announce the formation of a joint partnership. The new firm will practise as HARMOOD BANNER, SMYLLIE & Co, at 8 Donegall Square North, Belfast 1, from October 1st, 1967. The partners will be Messrs T. D. LORIMER, F.C.A., J. D. JORDAN, F.C.A., W. B. WILSON, A.C.A., W. A. CRAWFORD, A.C.A., A.C.I.S. (in Belfast), D. G. RICHARDS, F.C.A. (in London) and G. B. HODSON, F.C.A. (in Liverpool).

MESSRS HAYS, AKERS & HAYS, Chartered Accountants, of 30 Cursitor Street, London EC4, announce that Mr HAROLD WILCOCK, F.C.A., retired on September 30th, 1967, and that Mr JOHN W. GORDON, C.A., was admitted to the partnership on October 1st, 1967.

MR NOEL J. INCE, A.C.A., A.T.I.I., announces that on September 30th, 1967, he ceased to practise on his own account at Scottish Provident Buildings, 7 Donegall Square West, Belfast 1, and that with effect from October 1st, 1967, he has been admitted as a partner in the firm of Messrs MAY AND Co, Chartered Accountants, 33 Church Lane, Belfast 1.

MESSRS LOVEWELL BLAKE & Co, Chartered Accountants, of Great Yarmouth, Norwich, Lowestoft, Halesworth and Thetford, announce that Mr JOHN BRETT, A.C.A., has been admitted into partnership as from October 1st, 1967.

MESSRS MAY AND Co, Chartered Accountants, of 33 Church Lane, Belfast 1, announce that on October 1st, 1967, Mr NOEL J. INCE, A.C.A., A.T.I.I., was admitted as a partner.

MESSRS ORR, SHOTLIFF & Co, Chartered Accountants, of 160 Picca-

dilly, London W1, announce that Mr E. B. ORR, F.C.A., retired from the practice on September 30th, 1967, but will continue to act in a consultative capacity. The remaining partners will carry on the practice and the firm's name will remain unchanged.

MESSRS PIKE, RUSSELL & Co, Chartered Accountants, of Adam House, Fitzroy Square, London W1, and Liverpool Victoria House, 91-99 New London Road, Chelmsford, announce the formation of a new partnership under the name PIKE, RUSSELL & ASSOCIATES in which the existing partners will be joined by Mr H. T. J. ANSELL, F.C.W.A., A.A.C.C.A.

MESSRS PIKE, RUSSELL & Co, Messrs VERNON C. BAKER & Co and Messrs STANLEY F. STEPHENS & Co, Chartered Accountants, announce that the three firms, which have been closely associated for some time, have merged their practices under the name of PIKE, RUSSELL & Co, at Adam House, 1 Fitzroy Square, London W1.

MESSRS SHEEN, STICKLAND & Co, of Alton, Hants, and Farnham, Surrey, announce that their senior partner, Mr A. G. STICKLAND, O.B.E., F.A.C.C.A., retired from the partnership on September 30th, 1967, after some forty years in the profession. Mr STICKLAND will continue his long association with the firm in the capacity of consultant for which purpose he will maintain an office at the Alton premises. They also announce that from October 1st, 1967, Mr E. P. ROSLING, A.C.A., will be assumed a partner in the firm.

MESSRS SHIPLEY, BLACKBURN, SUTTON & Co, Chartered Accountants, of 52-53 Jermyn Street, London SW1, announce that Mr BERTRAM SMITH, F.C.A., left the firm on September 30th, 1967, to take up a commercial appointment. They also announce that Mr CHRISTOPHER LANGRISH, A.C.A., and Mr ROGER LYLE, A.C.A., both of whom have been with the firm for a number of years, were admitted into partnership on October 1st, 1967.

MESSRS SPIRO, SARGANT & Co, Chartered Accountants, announce that with effect from October 1st, 1967, Mr MAURICE ESTERSON, C.A., and Mr STANLEY SIMMONDS, A.C.A., have been admitted as partners. The firm name will remain unchanged.

MESSRS TOUCHE, ROSS, BAILEY & SMART, announce that as from October 1st, 1967, they have admitted into partnership Mr D. J. S. ROQUES, C.A.

SIR HENRY BENSON APPOINTED CHAIRMAN OF RACING FINANCE COMMITTEE

The Joint Turf Authorities have set up a committee to be known as The Racing Industry Committee of Inquiry, under the chairmanship of Sir Henry Benson, C.B.E., F.C.A., to make a detailed study of the whole of the financial structure and requirements of the racing industry. The committee's terms of reference are:

To examine the finances of the racing industry, to assess the financial requirements of the industry, and to consider the different methods by which this might be provided, particularly in view of recent taxation affecting the industry.

To examine the organization for the control of the racing industry and to recommend any improvements that could be made.

To take evidence from any persons or bodies they wish to consult.

The committee's investigation is expected to take about a year during which time it will make a full assessment of the needs of the racing industry in order to keep it on a sound financial basis. They have been asked to assess what amount the industry needs to maintain and improve the status of British racing and to preserve the position of British bloodstock. They have been further asked to consider ways and means by which

the amount required might be found. In due course the committee will be communicating with the many organizations connected with the racing industry.

E.D.C. FOR FOOD MANUFACTURING INDUSTRY

Mr A. P. Rivers, F.C.A., F.C.I.S., a director of Ranks Hovis McDougall Ltd, has been appointed a member of a new Economic Development Committee which will take the place of the two former 'Little Neddies' for food processing, chocolate and sugar confectionery. The first meeting of the new E.D.C. took place on Thursday.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President, Mr W. E. Parker, C.B.E., F.C.A., and members of the Council of The Institute of Chartered Accountants in England and Wales gave a luncheon in honour of the Lord Mayor of London at Tallow Chandlers' Hall on Wednesday.

The guests were The Rt Hon. the Lord Mayor of London, Sir Robert Bellinger, Mr Alderman and Sheriff Peter Studd, Mr C. R. Whittington (the City Chamberlain), Mr E. H. Nichols (the Town Clerk), The Rt

Hon. Lord Ebbisham (the Chief Commoner), Mr L. B. Prince (Chairman, Coal and Corn and Finance Committee), Mr Deputy Eric F. Wilkins (Chairman, Barbican Committee), Mr Deputy Rodway Stephens, Sir Paul Davie (the Remembrancer), Mr E. G. Chandler (the City Architect), Mr R. S. Walker (the City Surveyor), Colonel N. F. B. Shaw (Private Secretary to the Lord Mayor), Brigadier P. J. E. Clapham (the Common Cryer and Serjeant-at-Arms) and Mr A. V. Adamson, of Australia.

COMMONWEALTH AUDITOR- GENERALS CONFERENCE

The sixth conference of Commonwealth Auditor-Generals took place at Marlborough House, London, at the end of last month, and was attended by delegates from twenty-three Commonwealth countries. Among those present were Mr A. M. Henderson, O.B.E., F.C.A., Auditor-General of Canada, accompanied by Mr G. R. Long, C.A.; Mr B. L. W. Fernando, F.C.A., Auditor-General of Ceylon; Mr R. H. Irvine, A.A.C.C.A., Auditor-General of Jamaica, and Mr E. W. Gregoire, F.A.C.C.A., A.A.I.A., Auditor-General of Trinidad and Tobago.

Held every three years, London has been the venue since the conferences started in 1951. This year's conference, which was under the chairmanship of



Delegates at the opening session of the Commonwealth Auditor-Generals Conference referred to in a note on this page.

Sir Bruce Fraser, K.C.B., United Kingdom Comptroller and Auditor-General, discussed a wide range of subjects including the problems affecting the audit of public expenditure in developing countries and the role of the Auditor-General in the audit of development schemes and State enterprises.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON Annual General Meeting

The annual general meeting of The Chartered Accountant Students' Society of London will be held at 6 p.m. on Monday next, October 9th, in Winchester House, 77 London Wall, London EC2.

Any member of the Society entitled to attend and vote at a meeting of the Society is entitled to appoint another person (who must be a member) as his proxy to attend and vote instead of him, provided that no member present at the meeting shall hold proxies for more than three members. The appointment of a proxy must be in writing signed by the appointor, and has to be received by the Secretary not less than twenty-four hours before

the advertised time for the start of the meeting.

Proxy forms may be obtained from the Secretary or the Library, 43 London Wall, London EC2, and must be lodged by 6 p.m. on Friday, October 6th.

Residential Course at Nottingham University

Three hundred members of the Society attended an electronic data processing residential course arranged by the Society and held at Nottingham University from September 21st to 24th.

It was an intensive course: members attended their first lecture not much more than one hour after their arrival and the last that day ended at 10 p.m.

The previous residential courses, at Oxford and Cambridge universities, were the occasions for group discussions as well as plenary sessions and a certain amount of social activity. This did not prove possible during this first residential computer course to be held at Nottingham University owing to difficulties of accommodation and of obtaining sufficient speakers to visit all groups with the exceptionally large number of members attending.

Furthermore, it was felt that unless group discussions were on every occasion attended by a speaker, the discussion would lose much of its value because of the specialization of the subjects. In the event, discussions and the enthusiasm shown during every lecture proved the value of the altered arrangements for this period of concentrated study.

The Chairman of the Society's Courses Subcommittee was Mr W. K. Wells, B.A., F.C.A., Hon. Treasurer of the Society, who presided at certain of the lectures. Mr J. R. Appleyard, F.C.A., a member of the Council of the Institute, presided at others, as did Mr C. Burr, A.C.A., Chairman of the Committee of the Society.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday, October 11th, at Williamson's Tavern, Bow Lane, Cheapside, London EC4, at 5.45 for 6 p.m. The subject for discussion will be 'The Companies Act 1967'. Mr I. Macfarlane, F.C.A., will open the discussion.

The Institute of Cost and Works Accountants

Results of Examinations held in June 1967

PART IV

First Place in Part IV and The Leverhulme Prize: Power, A. P., Leicester

Abakada, S. O., Yaba
Aburrow, D. J., Newbury
Ab. Wahab Bin Yaakob, Petaling Jaya
Adesanya, M. A., Lagos
Adey, J. R., Burton-on-Trent
Adeyi, B. A., London N16
Agoro, O. I., London SW17
Ahmad, S., Karachi
Ahuja, K. S., Delhi
Aich, P. C., Calcutta
Aina, Z., London NW10
Akanji, S. L., London SW11
Akintan, T. O., London E13
Akinwale, S. M., London SW11
Ali, K., London N6
Allen, D., Nottingham
Allen, F. G., Upper Portslade
Amanor, F. K., London SW17
Anderson, A. P., Clydebank
Anderson, B. E., Buxton

Annand, A. M., Berkhamsted
Ansari, M. A., London N12
Aplin, E. C., Tewkesbury
Archer, L. G., Chelmsley Woods
Asher, H. D., Jinja
Ashton, R., Birkenhead
Austin, A., St Helens
Badger, D. B., Solihull
Bakhtiari, R. H., Bedford
Bales, K. R., Ipswich
Balogun, M. A., London SE15
Banerjee, K. S., Calcutta
Banerjee, P. K., London NW3
Barker, T. G., Ormskirk
Barnsley, B. W. R., Birmingham
Barron, D., Blackpool
Bartlett, R. G. H., York
Baskind, C., Johannesburg
Basu, K. K., Calcutta

Bateman, M. J., Eccles
Bates, D., Dublin
Bates, E. R., Clevedon
Batte, T. G., Hull
Batty, A. J., Crewe
Beardmore, J., Newport
Bell, P. A. K., Wargrave
Bhattathiripad, A. R. S., Hyderabad
Biggs, A. F., Newport
Bignell, D. G., Churcham
Birchall, I., Chorley
Bird, M. D., Letchworth
Biswas, S. K., London N7
Bladergroen, P. E., Johannesburg
Blay, L. B., London NW6
Blower, R. M., Atherstone
Bolt, G. R., Birmingham
Booth, B. J., Heston
Booth, F. W., Southampton
Bowell, A. G., Sheffield

Bradley, J. A., Oldham
Brady, T., Belfast
Branson, D. A., West Bromwich
Brennan, D. J., London N18
Bridgewood, E. J., Wolverhampton
Bristow, N. G., Edinburgh
Broughton, J. G., Cleethorpes
Brown, C. E., Nottingham
Brown, F. W., Grantham
Brown, M. W., Arlesey
Buchanan, S., Wideopen
Buckley, M. H., Birmingham
Bugg, D. G., Woodbridge
Bull, W. M., Mansfield Woodhouse
Burke, M. J., Birmingham
Burrell, D. J., Ilford
Butler, G., York
Byers, J. F., Glasgow

Campbell, J. A., Glasgow
Canning, F. J., Coleraine
Carter, J. W., Birtley
Chakraborty, D. D., London SW10
Chamberlain, A. J., Tredegar
Chaplin, J. R., Ipswich
Chapman, B. J., Basingstoke
Chapman, R. W., Long Stratton
Chatten, J. V., Dalkey
Choudhury, J. L., Geneva
Chow Him, Hong Kong
Chughtai, F. R., London NW2
Clamp, F. J., Walsall
Clark, A., Coventry
Clark, E., Hebden Bridge
Clark, J. R., Dunstable
Clarke, V. P., Barnet
Claxton, N., York
Cliff, J. F., Walsall
Clingo, K. P., Peterborough
Cobbett, J. R., Bristol
Cochrane, W., Glasgow
Coeshall, S. J., Luton
Colbourne, L. M., Bristol
Colenbrander, R. H., Jacobs
Colligan, P. G., Dun Laoghaire
Collins, G. E., London W4
Cook, A. F., Harrow
Cook, T. J., Gotherington
Coomes, R. J., Widnes
Cooper, D. A., London N13
Cooper, F., Darwen
Cooper, R. M., Havant
Cope, A. C., Peterborough
Corner, B., Stockport
Corney, D. M., Sittingbourne
Cotton, A. N., Solihull
Cotton, P., Walsall
Coul, A. C., Bournemouth
Cowburn, I. F., Johannesburg
Cox, A. E., Worcester
Cox, T. A., Birmingham
Craig, J. G., Bury
Crampton, P. R., York
Crawford, N. H. S., Byfleet
Cropper, R. W., Birmingham
Crushell, J. F., Booterstown
Cunningham, A. M., Newcastle upon Tyne
Curl, P. J., Derby
Curley, J. F. P., Palmerstown

Dale, C. W., London N12
Daniels, J. L., Bedford
Daniels, R. D., Reading
Daniels, R. J., Henley-on-Thames
Danoo, D. B. K., London NW6
Darley, W. N., Billingham
Das Gupta, A. K., London W11
Davies, B. P. R., Pontyclun
Davies, J. E., Swansea
Davis, J. F., Birmingham
De, A. K., London SW19
Deary, J. A. O. G., Blantyre
Delves-Defee, B. S., Biggleswade
de Rosa, M. A., Enfield
Dharmagunaratne, T. C., Colombo
Dixon, J. O., Pontypool
Docherty, G. C., Hong Kong
Donnelly, S. J., Stillorgan
Dosani, M. A., London N8
Downes, C. A., Nottingham
Doxey, B., Leeds
Doyle, P. A., Dalkey
Drinkwater, R. A. E., Port Elizabeth
Drury, R. H., Ashford

Dunhill, K. B., London NW7
Dunlop, T. B., Beith
Durstun, R. H. G., Guildford
du Toit, H. W., Pretoria
Dutta, D. B., London N18
Dutta, N. R., London NW11
Duxbury, K., Leeds

Eden, M., Shipley
Edmondson, R. M., St Sampsons
Edwards, A., Newcastle upon Tyne
Edwards, L. J., Neston
Edwards, P. J., Brighouse
Elliot, A. G., Knutsford
Ellis, F. P., Dagenham
Ellison, J., Maidenhead
Epsley, B., Maidstone
Evans, D. W., Northampton
Evans, K., Dudley
Ewun-Tohma, I. D., Walsall
Exley, C., Peterlee

Faleye, J. A., London NW10
Famakinwa, J. O., London N1
Fawcett, J. G., Huddersfield
Fearn, K. F., Barnet
Fellows, D. A., Bebington
Finch, A. M., Birmingham
Fisher, E. C., Grays
Fitton, G. R., Manchester
Fletcher, A., Rochdale
Fletcher, M. B., Hull
Folami, O., London E8
Ford, R. F., Sale
Foreman, C. D., Gillingham
Fraser, R. L., Bradford
Freemantle, R. A., Welwyn
Frost, D. M., Doncaster
Fulluck, D. J., Hitchin

Gardner, H. J., North Ferriby
Gbotosho, J. I., Ibadan
Gerrie, G. N., Dundee
Gibbon, D. B., Port Elizabeth
Gill, E. A., Eastcote
Godsiff, P. G., Chatham
Goldie, L. E., Scunthorpe
Gordon, M. A., Tubbercurry
Gow, T., Troon
Goynne, G. R., London NW2
Granger, B. G., Leicester
Grieve, B. R. N., Perth
Grieve, R., Leven
Griffiths, R. G. M., Springs
Groves, L. R., Doncaster
Grylls, C. G., Port Elizabeth
Guha Roy, B. K., London W9
Gupta, S. K., Belfast
Guthrie, I. W., Neuenhain
Guyver, E. F., London SW19

Hacker, P. L., Manchester
Haji, M. F., Birmingham
Hall, K. H., Dublin
Hamilton, J. D., Lincoln
Hansford, D. B., Cheltenham
Harman, W., Weybridge
Harvey, M. W., Warrington
Harvey, T. M., Sheffield
Harrison, T. F. G., Carlisle
Hatchard, D. S., Portsmouth
Haydock, R., Bury
Haynes, R. J. D., Stourbridge
Hazel, D. B., Wallasey
Hector, R. H., Wedmore
Heng Jee Lan, Singapore
Herbert, S. W., Leicester
Higgins, D., Manchester
Higham, D. K., St Helens
Hill, C. W., Glasgow
Hill, I. R., Birmingham
Hill, J. R., Heanor
Hill, R. D., Cavendish
Hill, R. J. B., Belfast
Hillin, M. J., Dublin
Hinchliffe, J. G., Bromsgrove
Hindocha, H., Wembley
Hodgetts, S., Wolverhampton
Hogan, P. J. A., Dublin
Holden, N., Swindon
Holmes, D. W., Beeston
Holt, H. M., London W9
Hook, I. R., Ilford

Hope, A. M., Shannon
Hope, J., Philadelphia
Hopkinson, A. M., Dungannon
Horner, C. F., London E11
Horrocks, R., Manchester
Horsham, P. G., Congleton
Horsley, C. R., Kuala Lumpur
Horton, B. E., Johannesburg
Houlihan, M. K., Dublin
Houston, J. B., Glasgow
Hovell, P. C., London NW6
Hughes, D., Widnes
Humphrey, D. J., Hemel Hempstead
Hunt, G. R., London NW3
Hunter, T., Ellon
Hurst, G. W., Bolton
Hussey, D. J., Swindon
Hutchings, P. H. V., Sherborne
Hutchison, D. G., Southampton
Hutchison, R., Glasgow

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Imlah, A. G., Sutton Coldfield
Ishak Bin Imam Abas, Petaling Jaya
Ison, R. G., Johannesburg

Jackson, R. H., Sheffield
Jadoon, M. A., Khaur
Jarvis, W. O. D., Longniddry
Jenkins, S. D., Port Talbot
Johnson, A. M., Solihull
Jones, A. M., Warsash
Jones, M. H., Bury
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Joynes, A. W., Derby

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Kail, J., Sunderland
Kakunthanathan, P., London NW10
Kampers, P. F., Cape Town
Kanjilal, K., Hornchurch
Kapur, K. K., Teddington
Kar-Choudhuri, N., London W9
Keedle, J., Northampton
Keel, A. K., Sheffield
Keller, J. P., High Wycombe
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Kennedy, J., Edinburgh
Kennedy, O. P., New York
Kenyon, P., St Helens
Khan, S. A., Karachi
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MacIntyre, J., Lillithgow

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Maurice, W. N. J., London, SW18
Mayer, R. G., Stoke-on-Trent
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Mirza, M. K., Lahore
Mitra, A. K., London NW11
Mitra, B. B., London N6
Moffatt, M., St Albans
Monga, P. N., Glasgow
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North, R. W., Reading

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Onakoya, J. O., London NW5
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Palihawadana, R., Kotte
Palmer, D. J., Kidderminster
Palmer, L. C., Croxley Green
Parsons, D. C., Liverpool
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Paul, J. L., High Wycombe
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Ponnudurai, S., Colombo
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Potts, K. V., Sutton Coldfield

Prichard, J. E., Malvern
Prior, M. A., Aylesbury
Purkiss, B. C., Billericay
Pyle, A. D., Middelburg

Quraishi, A. M., Karachi

Rahman, M. A., Karachi
Rajagopalan, K., Bangalore
Rajaratnam, N. J., London NW6
Ram, K., Saunda
Ratcliffe, M. H., Braintree
Ray, H. F., Birkenhead
Redding, H. C., Grimsby
Reed, P. J. E., Shrewsbury
Reid, M. E., Lisburn
Richards, D. G., Wolverhampton
Richardson, B. W., B.F.P.O. 40
Richardson, W. K., Coventry
Rigby, J. M., Carnforth
Riley, J., Huddersfield
Roberts, D. G., Mold
Robinson, B. A., Mold
Robinson, M. H., Workington
Roche, P. F., Oxford
Rowe, R., Gateshead
Roy Chowdhury, S. P., London NW11
Rupasinghe, I. P., London NW1
Russell, J., London SE19
Ryan, E. P., Dublin

Saadullah Bin Haji Mohamed, Petaling Jaya
Saikia, D., Lichfield
Salter, C. R., Greenhithe
Sammon, B. P., Southend-on-Sea
Sanghrajka, P. R., Luton
Satkunanathan, C., Colombo
Satterthwaite, K., Sheffield
Saunders, G. H., Shephed
Semple, J., Doncaster
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Shah, N. N., Bombay
Shakoor, A. Q., Karachi
Sharpe, W., Wigan
Shehan, C. J., Eastleigh
Siddeek, M. I. M., Hatton
Simon, G. F., Johannesburg
Sincock, T., Winchester
Singleton, J. A., Bracknell
Sivagnanasingham, P., London SW20
Smith, D. J., Bristol
Smith, K. P., Dublin
Smith, M. A., Bournemouth
Smith, M. E., Worksop
Somerville, R. M., Poole
Soulsby, S. J. S., Hemel Hempstead
Spence, C. M., Dagenham
Srinivasa Rao, P. S., Davangere
Stanbridge, D. F., Thetford
Stanion, B. J., Johannesburg
Stanyer, P. J., Liverpool
Starkey, K. G., Letchworth
Steele, B. P., East Rand
Stephenson, A., Middlesbrough
Stewart-Jones, R. A., Derby
Stirrup, K. W., Grays
Stott, E., Stockport
Stuart, A. D., Sittingbourne

Subramaniam, K. A., London W2
Sundara, K. N., Bangalore
Sutcliffe, C. M. S., London SW12
Sutton, E., Hartlepool

Tattersall, T., Oswaldtwistle
Taylor, T., Doncaster
Telfer, W. G., Gourcock
Thekkar, R. B., Bombay
Thakur, D., Perivale
Thexton, M. J., Derby
Thomas, H., Tamworth
Thomas, I. J., Neath
Thompson, P., Didcot
Thorley, G., Stamford
Thwaite, J. C., Liverpool
Tillett, A. J., Reepham
Toon, G. K., Oldham
Torrance, R. T., Melksham
Townsend, G. E., Trowbridge
Turner, A. G., Newton Aycliffe
Tyler, D. J., Solihull
Tyne, C., London N18

Valentine, B., Rotherham
Vandy, M. J., Watford
van Lottum, G. W., Harpenden
van Wyk, S. M., Pretoria
Vidler, E. T., Rugeley
Viswanathan, A., Hyderabad

Wager, D. J., Bexleyheath
Walke, R. R., Bombay
Walker, M. D., Evesham
Waller, K. M., Barton-le-Clay
Walters, R. J. C., Retford
Ward, G., Burton-on-Trent
Warden, N. C., Sudbury
Warland, E. P., Pinner
Warner, R. J., Studley
Watts, C. R., Rushden
Weighill, W. L., Sunderland
Weightman, H. C., Nottingham
Weir, G. G., Solihull
Whatmough, D., Manchester
Whiles, A. J., Bristol
Whitbread, T. E., Kettering
Whitely, A. J., Derby
Whittaker, W. J., Bacup
Wightman, D. W. L., Bramhall
Williams, A. J., Hartford
Williams, C. J., Kalulushi
Williams, N. A., Cape Town
Willis, I. M., Richmond
Wills, T. J., Merriott
Wilson, C., Seaham
Wilson, P. J., Workington
Wilson, R., London SW7
Winters, G. D., Birmingham
Wong, R., Liverpool
Wood, B., York
Woodhouse, M. J., Norwich
Worrall, D., Leeds
Wraith, R. P., Lancaster
Wright, D. F., Johannesburg
Wright, M. R., Salisbury

Zahridah Binti Ismail, Petaling Jaya

PART V

First Place and The S. Laurence Gill Prize: Wyatt, G. R., Stratford-on-Avon

Abbott, F., Hythe
Abed, F. H., London NW1
Adamson, R. M., Hemel Hempstead
Aditya, S. K., London SW18
Agbodo, E. A., London NW11
Ager, R. S., Ipswich

Alsop, D., Sheffield
Aluko, E. K., London SW17
Andrew, F. F., Birmingham
Annamuttu, S., Colombo
Appiah, E. F., Walsall
Arif, M. Z., Lahore

August, M. S., Sittingbourne
Aylett, T. M., Swindon

Baillie, J. L., Stoke Poges
Baines, A. R., Brentwood
Baines, J. C., Winlaton

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Bandyopadhyay, S., London SW9
Banner, T. B., Maidstone
Barber, J., Blackburn
Barry, D., Basildon
Bartram, A. G., Oldbury
Bateman, B. F., Southampton
Bates, I. R., Johannesburg
Baxter, J. A. W., Dundee
Belgrove, P. A., Braintree
Benbow, C. R., Elstree
*Benham, R. C., Billericay
Betts, A. S., Sutton Coldfield
Birch, K. W., Aylesbury
Biswas, S. K., Calcutta
Black, D., Glasgow
Blacker, W. J., Abertillery
Booth, P., Sandbach
Boughey, J., Wishaw
Brailsford, K. J., Leamington Spa
Brandwood, P., Preston
Breen, C. O., Dublin
Bright, J. J., Liss
Brighton, K. E., Grimsby
Brightwell, S. R., B.F.P.O. 40
Brock, T. H., Worcester
Bromiley, T., Bolton
Brown, A. J., Johannesburg
Brown, M., Rotherham
Brown, P., Bristol
Brown, W. R., Durban
Bullard, R. J., Baldock
Burgess, L. N., Birmingham
Busteed, B., London NW2

Cahill, E. P., Dublin
Carter, S., Hyde
Caws, J. T., Cheriton
Chambers, D. J., Pietermaritzburg
Chowdhury, J. H., London SW6
Clark, R. H. G., Chippenham
Clements, J. S., London SW20
Cole, R., Rainham
Cook, R., Birkenhead
Cooke, R. M., Swindon
Cooper, B. H., Newtonabbey
Cox, M. P., Sutton Coldfield
Cox, W. J., Leicester
Craske, W. B., Johannesburg
Cree, M. W. O., St Andrews

Dass, B., Delhi
Davies, D. B., Slough
Dawson, H., Stockton-on-Tees
Deer, C. E., St Ives
Denholm, R. H., Hamilton
Devapura, S., London NW6
Dhanapala, H., Nugegoda
Domoney, G. S., Lydney
Doyle, R., Dundee
Drake, C., Halifax
Drury, R. A., Stevenage
Duff, G. W., Ruislip
Dung, J., Toronto
Dunlop, R. M., Warrington
Dunning, W. G., Northwich
Dutta, K., London SW17
Dutta, S., Ranchi
Dyson, R. J., Enfield

Earrey, M. J., Blackburn
†Eastaway, N. A., Theydon Bois
Elkington, A. C., Teddington
Elliott, A. A., Derby
†Elliott, R. M., High Wycombe
Fairservice, A. J., Ilford
Faridah Binti Yassin, Petaling Jaya
Farrell, J. E., London E11

Faulkner, R., Totton
Fee, R. W., London E12
Fisher, K., West Bromwich
Fothergill, D., Wigan
Fowler, R., Hartlepool
Freeman, R. W., London NW10
French, M. C., Abergavenny
Freund, F. G., Potters Bar
Funnell, J. H., Welling

Gallacher, D. T., Glasgow
Ghosh, S. K., Calcutta
Gibbs, R. H., Birmingham
Gilbert, D. M., Exeter
Gill, E. J., Bristol
Golder, P. C., London SW17
Goulding, R., Sheffield
Graham, P., Rotherham
Grainger, D. J., Birmingham
Green, M. S., Brentwood
Griffin, P. J., Ennis
Griffiths, C. D., Tipton
Gupta, G. S. P., London E4
Gupta, T. L., London NW3
Gutteridge, D. J., Walsall

Hamman, W. D., Parow
Hancock, J. C., Derby
Harrison, C. L., Radcliffe
Hathi, R. M., London N19
Hazeldine, T. M., Burton-on-Trent
Heath, B., Gidea Park
Heywood, G. R., Great Missenden
Hill, D. P., Birmingham
Hill, J. W., Eastbourne
Hill, P., Cannock
Hockey, R. H., Newport
Holton, G. S., Bramley
Hotay, A. Q., Karachi
Howell, D. C. P., Hatch End
Hunter, J., Falkirk
Hussain, M., Karachi
Hutchinson, J., Glasgow

Igoe, M. H., Dublin
Inglis, D. J., Tamworth

Jaine, W. J. C., Leominster
Jakeman, T. E., Epsom
Jarjour, N. M., Banias
Jefferson, J. A., Rochester
Jervis, N., Coventry
Johnson, D. B., Stoke-on-Trent
Johnson, S., London W13
Jones, H., Pontypool
Jones, J. C. W., Bexley
Jones, P. H., West Bromwich
Jux, D., Woking

Kalejaiye, R. A., Jos
Katugampola, B. H., London NW2
Keable, D. G., London SW19
Keenleside, D. G., Manchester
Keys, D. Y., Bellshill
Khalid, M. I., London SE16
Khan, A. R., Karachi
Kirpalani, H., London NW3

Lal, M., Birmingham
Lall, D. B., Birmingham
Land, J. F. P., Dursley
Lawton, M. D., London NW7
Lawton, R. N., Walsall
Leeming, D., Nelson
Lehr, M. E., London SW5
le Sueur, D. E., Guildford
Lilley, D. C., Bury
Lim Hock San, Singapore
Lisle, R. G., London W2
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Livingstone, R. M., Glasgow

Lloyd, C. F. A., B.F.P.O. 40
Long, R. E., Hengoed
Low, J. A., Swindon

McConnell, G. C., Maidstone
McDonald, G., Glasgow
McFarlane, J., Chertsey
McGlinchey, M. C., Derby
McMillan, J., Paisley
McNamee, P. A., Norwich
Mackie, W. S., Shotts
Mackness, W. C., Barton-le-Clay
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Marson, A., Orpington
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Melchers, C. J., Godalming
Melling, H., Wigan
Milford, C. T., Leeds
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Moodie, A. S., Durban
Moore, R. S., Apapa
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Morgan, K. A., Newport
Morris, J., Walsall
Morris-Jones, D. T., Warrington
Mortley, M. G., Chatham
Mukerjee, A. K., London, W11
Mukherjee, K. K., Kingston upon Thames
Mulholland, S., Randalstown
Mumford, R. D., Luton
Mundy, J. R., Tring
Murphy, A. M., Tralee
Murray, P. D., Chelmsford

Noordin Bin Ismail, Kuala Trengganu

Oakley, D. A., Rainham
O'Connell, W. E. J., Passage West
Okubena, M. O., Ijebu-Ode
Oldfield, J. C. F., Winchester
Oldham, A. H., Studley
Orford, D. W., Bromsgrove
Orman, C. B., Croydon
Osborne, A. G., Stevenage
O'Sullivan, C. E., Limerick
Oyemakinde, S. A., London SW17

Page, T. J., Grays
Palmer, J. F. C., Pietermaritzburg
Parkin, J., Rotherham
Parnell, M., Eccles
Passaway, R. F. M., Rochester
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Pipe, R. J., Devizes
Pitcock, H., Boreham Wood
Platt, A. P. G., Meopham
Porter, B. F., Walsall
Potkin, R. R., Sutton
Potter, J. M. F., Nantwich
Potts, D., Northolt
Pratt, R. I., Chorley Wood
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Shephard, D. I., Birmingham
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Simpson, W., Paisley
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Smith, H., Doncaster
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Stubbs, R. F., Southampton

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Wallin, D. A., Hemel Hempstead
Walsh, F., Manchester
Ward, B., Rotherham

Warren, K. G., Enfield
Watkins, P. W., Blackburn
Watson, R., Bishopbriggs
Watson, T. R., Reading
Webb, J. R., Oxford
Webster, D. K., South Shields
Webster, T., Kirkcaldy
Widdowson, J. L., Nottingham
Wilkes, D. C., Bristol
Williams, C. O., Wednesbury
Williams, D. R. L., Cardiff
Williams, W. A., Chester
Williamson, D. J. G., Barking
Williamson, D., Reading
Wilson, D., Liverpool
Wilson, I. A., Malvern
Wood, D., Windsor
Woolf, G., Ravensden
Wyatt, G. R., Stratford-on-Avon

Youl, A. R., Swindon

† The Lewton Coronation Prize for the best paper in Advanced Accountancy and Financial Management.

* The Beyer Peacock Prize for the best paper in Management Principles and Practice.

PARTS IV AND V

Armstrong, P., Harmondsworth
Benson, B., Johannesburg
Carney, R. T., Bristol
Duffy, P. J., Bromborough
Goudge, C. W., Liverpool
Green, P. A. W., Bramhall
Griffin, T. A., London N1

Hooper, J. H. V., Kloof
Horton, J. A., Crewe
Jefferies, P. C., Harpenden
Keenan, T., Livingstone
Lim Pee Teck, Singapore
Lim Sa Bah, Singapore
MacFarlane, F., Sale

McMonegal, J., Barrhead
North, T., Singapore
O'Callaghan, F., Glasgow
Power, A. P., Leicester
Reavley, C. H., Leatherhead
White, R. N., Hounslow
Williams, D. J., Newport

SUMMARY OF RESULTS PASSED

	I	II	III	IV	V	I and II	II and III	III and IV	IV and V	Statistics only	Statistics and II	Total Passed	Total Failed	Total Candidates
Part I	847											847	1,453	2,300
Part II		691										691	726	1,417
Part III			604									604	1,073	1,677
Part IV				426								426	446	872
Part V					302							302	577	879
Parts I and II ..	220	67				176						463	465	928
Parts II and III ..		116	28				54					198	200	398
Parts III and IV ..			107	52				59				218	262	480
Parts IV and V ..				44	14				21			79	95	174
Statistics Only ..										82		82	92	174
Statistics and II ..		11								7	9	27	42	69
Totals	1,067	885	739	522	316	176	54	59	21	89	9	3,937	5,431	9,368

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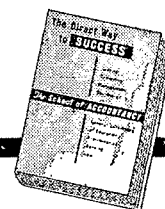
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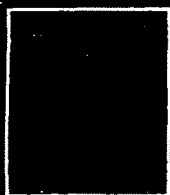
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VOL. CLVII. No. 4843

OCTOBER 14th, 1967

PRICE 2s 3d WEEKLY



THE RECOGNIZED WEEKLY JOURNAL
FOR THE ACCOUNTANCY PROFESSION THROUGHOUT THE WORLD

Your courses diary 1967-1968

One of a series of advertisements designed to remind members and non-members of the extensive facilities available.

INSTRUCTIONAL COURSES organised by the Institute are open to all members, and non-members when sponsored by a chartered accountant. The following list indicates residential courses for 1967-1968. A series of shorter non-residential courses are now being planned. Full details and application forms are sent, prior to the courses, to all members of

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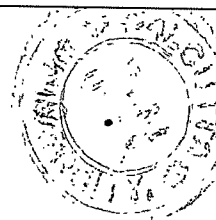
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No.	Subject		Dates of Series	Duration of each Course	Planned Size	Location
10	Management Information		25-30 November	4 days	3 x 50	Hotel Metropole, Brighton
			1967			
			1968			
1	Systems Analysis	Between	4 & 11 January	4 days	3 x 50	Hotel Metropole, Brighton
2	Tax	Between	18 & 25 February	3 days	4 x 50	Hotel Metropole, Brighton
3	E.D.P.	Between	23 & 30 March	5 days	3 x 50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1 x 70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3 x 50	Hotel Metropole, Brighton
* 6	Summer Course		11-16 July	5 days	1 x 200	Christ Church, Oxford
* 7	Summer Course		18-22 September	4 days	1 x 200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on - see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3 x 50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4 x 50	Hotel Metropole, Brighton

* For members only.

THE ACCOUNTANT

Established 1874



Vol. CLVII. No. 4843

October 14th, 1967

The Recognized Weekly Journal for the Accountancy Profession throughout the World

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More Guidance on Gains

IN the nineteenth century orthodox views on fiscal justice supported an indiscriminate flat-rate income tax although a minimum income limit was an administrative necessity. Even W. E. GLADSTONE went on record in 1853 with the comment that the attendant vexation rendered the collection of small sums inexpedient.¹ This outlook is reflected in the exemption from the short and long-term gains taxes accorded to chattels realized for less than £1,000 each, yet not even a fraction of this limit is permitted to operate as regards quoted securities – whether held directly or through unit trusts, while the £100 gift exemption has little practical significance for donors.

Nevertheless it is apparent that no easement of the 1965 arrangements is to be expected and, indeed, the fall-out of betterment levy complexities from the Land Commission Act 1967 is beginning to permeate the scene. Learning to live with taxes on capital gains is therefore an undertaking which it is idle to evade or postpone. The English Institute's familiar yellow booklet led the way to self-help, and at the Institute's recent summer course at Cambridge Mr STANLEY KITCHEN, F.C.A., presented an address (the first part of which is reproduced elsewhere in this issue) which bids fair to shed light on the widespread darkness to which he refers in his concluding paragraph. Mr KITCHEN has done a good deed for even a spotlight throws its beams far. Every such illumination is a gain to taxpayers and a pocket guide is sought after by the stranger in tax matters seeking his way to a particular point.

Mr KITCHEN's comment that even the simple question of whether a transaction should take place today or tomorrow might have tax implications emphasizes the worth of each and every such guide. It is therefore timely that the Inland Revenue should at this juncture have made available five further explanatory leaflets on capital gains tax. These continue the series inaugurated in February 1967 and the Board deserve a pat on the back for their courage in dashing off these apparent trifles which nevertheless have some success in explaining special points in simple language. The new publications will no doubt ease the burden of providing information which lies in the first instance on the officials of the Revenue but as the leaflets are provided *gratis* it seems that practitioners need not scruple to lend their aid in distributing them to clients in need of explanation. The ground which they cover indicates the main points of public concern. The treatment of owner-occupied houses is well to the fore; together with quoted

¹ See *A History of Income Tax*, by B. E. V. SABINE.

shares (one of the two subjects first tackled by the Board) and these topics, with the addition of unquoted shares, are illustrated by examples in the stimulating appendix to Mr KITCHEN's paper.

The alternative methods of computing the charge for individuals and the problems of a deceased estate also represent subjects dealt with on their own, as does the concessional treatment of retirement from business. One Revenue leaflet breaks separate ground in its review of unit and investment trusts.

Mr KITCHEN's paper reminds us that matters involving land now reflect the intermingling of the two streams of legislation on planning and revenue which hitherto have run on parallel courses. However, the overwhelming impression remains that it is the computations called for by the common enough holdings of quoted securities which are the major headache. Widespread approval will attach to the comment that much of the time in doing the necessary computations

falls on practising accountants and is very costly, so that it seems particularly niggardly that their charges may only be allowed (at least to individuals) in the context of valuations. It is to be hoped that the Revenue officials for their part will interpret the scope of valuation requirements with the latitude which seems deserved in the circumstances.

In the concluding section of his paper Mr KITCHEN voices concern at the problems posed for professional partnerships in relation to goodwill and the annuity system. These matters were previously touched on by Mr D. S. MORPETH, author of the Institute's practice administration booklet on *A Practitioner's own Taxation Problems*, and it appears both ironical and unfortunate that the welfare arrangements for those most concerned in shouldering the burdens of capital gains taxes should continue to be shrouded in anxiety and doubt which it seems that only time, and perhaps the opinion of the Courts, can dispel.

COMPANIES ACT 1967

Partnerships

BY the common law of this country there is no limit to the number of persons who may be associated together in partnership, subject to the supposed illegality of partnerships which are so large as to be incapable, practically, of suing and being sued.

Section 429 of the Companies Act 1948, however, prohibits the formation of a company, association or partnership consisting of more than ten persons for the purpose of carrying on the business of banking unless it is registered as a company under the 1948 Act or is formed in pursuance of some other Act or of letters patent. This prohibition was first introduced into company law by the Joint Stock Companies Act 1844, which prohibited large unincorporated companies and for the first time admitted the creation of jointstock companies by registration, although it was not until the Limited Liability Act 1855 that a company could secure the limited liability of its members subject to certain conditions. The Companies Act 1862, the Companies (Consolidated) Act 1908 and the Companies Act 1929 (which have been repealed) contained provisions similar to those in sections 429 and 434 of the Act of 1948, but they did not apply to partnerships formed before November 2nd, 1862.

Section 429 of the 1948 Act is not repealed by the

Companies Act 1967, but section 119 of that Act provides that section 429 is not to prohibit the formation of a partnership consisting of not more than twenty persons each of whom is for the time being authorized by the Board of Trade to be a member of a partnership formed for the purpose of carrying on the business of banking. The important point here is that each partner for the time being must, if the number of partners is to fall within section 119, be authorized by the Board of Trade to be a member of the partnership.

Section 4 (2) of the Limited Partnerships Act 1907 provides that a limited partnership shall not consist, in the case of a partnership carrying on the business of banking, of more than ten persons, and in the case of any other partnership of more than twenty persons. Such a partnership must consist of one or more persons called 'general partners' who will be liable for all debts and obligations of the firm, and one or more persons called 'limited partners' who will at the time of entering into such partnership contribute a sum or sums as capital or property valued at a stated amount, and who will not be liable for the debts and obligations of the firm beyond the amount so contributed.

Limited partnerships, though the creation of the Act of 1907 and subject to the provisions of that Act, are also governed by the provisions of the Partnership Act 1890 and the rules of equity and common law applicable to partnerships generally. The question therefore arises as to whether section 119 of the 1967 Act applies to limited partnerships which carry on the business of banking (if any) as it does to other partner-

ships which carry on such business. It will be seen later that section 121 of the 1967 Act expressly provides that section 4 (2) of the 1907 Act is not to apply to certain partnerships (subject to conditions) but that such partnerships do not include banking partnerships, and that the power of the Board of Trade to extend the scope of section 121 by regulations is also confined to partnerships other than banking partnerships. It would seem that it is not intended to extend beyond ten the number of partners in a limited partnership carrying on the business of banking unless the Board of Trade can 'authorize' such a partnership under section 119.

Section 434 of the 1948 Act provides that no company, association or partnership consisting of more than twenty persons shall be formed for the purpose of carrying on any business (other than the business of banking) that has for its object the acquisition of gain by the company (meaning an unincorporated company), association or partnership or by the individual members of it, unless it is registered as a company under the 1948 Act or is formed in pursuance of some other Act of Parliament or of letters patent, or is a company engaged in working mines within the stannaries of Cornwall or Devon and is subject to the jurisdiction of the Court exercising the stannaries' jurisdiction, which is now the county court. Thus a club, in the proper meaning of the term, may lawfully extend its membership beyond twenty, but mutual assurance clubs and underwriters' syndicates are associations carrying on business with the object of 'acquisition of gain' and fall within section 434.

Section 120 of the 1967 Act relaxes the provisions of section 434 of the 1948 Act in favour of three classes of professional persons. First, it provides that the section is not to prohibit the formation of a partnership of solicitors for the purpose of carrying on *practice* as solicitors which consists of more than twenty members each of whom is a 'solicitor' which means, in relation to England and Wales, a solicitor of the Supreme Court, or in relation to Scotland, a person enrolled or deemed to have been enrolled as a solicitor in pursuance of the Solicitors (Scotland) Act 1933.

Secondly, it provides that section 434 is not to prohibit the formation of a partnership of accountants consisting of more than twenty persons provided the partnership is formed for the purpose of carrying on *practice* as accountants and the partnership consists of persons each of whom falls within either paragraph (a) or paragraph (b) of section 161 (1) of the 1948 Act, which sets out the persons qualified for appointment as auditor. Paragraph (a) relates to members of a body of accountants established in the United Kingdom and for the time being recognized for the purposes of section 161 (1) by the Board of Trade. Paragraph (b) relates to a person who is for the time being authorized by the

Board of Trade to be appointed as auditor, either because he has qualifications obtained outside the United Kingdom which are similar to those of members of a recognized body of accountants established in the United Kingdom or because he has obtained adequate knowledge and experience in the course of his employment by a member of a body of accountants within section 161 (a) or because he has practised as an accountant in Great Britain before August 6th, 1947.

The proviso to section 161 (1) which states that the subsection is not to apply in the case of a private company which at the time of the auditor's appointment is an exempt private company, is repealed by Part III of Schedule 7 to the 1967 Act in consequence of the abolition of the status of 'exempt private company' by section 2 of the 1967 Act.

It will thus be possible under section 120 of the 1967 Act for eleven or more accountants within paragraph (a) of section 161 (1) of the 1948 Act to form a partnership with ten or more accountants or persons within paragraph (b), or vice versa, provided that the purpose of the partnership is to carry on practice as accountants, and provided that the rules of the professional body or bodies concerned permit such a partnership.

Thirdly, section 434 of the 1948 Act is not to prohibit the formation, for the purpose of carrying on business as members of a recognized stock exchange of a partnership consisting of persons each of whom is a member of that exchange. Accordingly, it will not be possible under section 120 of the 1967 Act, even if permitted by stock exchange rules, for, say, eleven members of the London Stock Exchange to form a partnership with ten members of the Northern or Midland and Western exchanges, or vice versa, since each member of the partnership must be a member of the particular stock exchange for the purpose of carrying on business as members of which the partnership is formed. 'Recognized stock exchange' is defined as meaning any body of persons which is for the time being recognized for the purposes of the Prevention of Fraud (Investments) Act 1958. At one time the number of 'recognized stock exchanges' for the purpose of the 1958 Act was twenty-two (see *Palmer's Company Law*, twentieth edition, page 205), but presumably the number is now less on account of the 'federation' of provincial stock exchanges.

By and large, it seems that section 120 is rather more liberal towards accountants than towards solicitors or stockbrokers or stockjobbers, since accountants may, for the purpose of carrying on practice as such but not otherwise, form a partnership consisting of more than twenty persons which can include employees who have 'obtained adequate knowledge and experience in the course of (their) employment' or persons who qualified outside Great Britain or practised as accountants with-

out qualifications before August 6th, 1947, provided in all such cases, the persons within section 161 (b) are for the time being authorized by the Board of Trade to be appointed as auditors.

There may, of course, be other cases where the prohibition of partnerships with more than twenty members has proved irksome in the past, or may prove irksome in the future, in view of the general trend towards cost reduction by the creation of larger units. This is recognized by section 120 (2) of the 1967 Act which empowers the Board of Trade by regulations made by statutory instrument to provide that section 434 of the 1948 Act shall also not apply to the formation for a purpose specified in the regulations of a partnership of a description so specified. Accordingly, if any professional or other body thinks that its members have been unfairly omitted from the provisions of section 120 of the 1967 Act, it would appear to be up to it to make representations to the Board of Trade so that, if successful, a partnership of the desired description can be included in any regulations made by the Board.

As has been seen, section 4 (2) of the Limited

Partnerships Act 1907 provides that a limited partnership shall not consist, in the case of a partnership carrying on the business of banking, of more than ten persons, or in the case of any other partnership of more than twenty persons. Section 121 of the 1967 Act relaxes so much of section 4 (2) of the 1907 Act as provides that a limited partnership (other than a partnership carrying on the business of banking) shall not consist of more than twenty persons in the three cases referred to in section 120 (1), that is, a partnership carrying on practice as solicitors, a partnership carrying on practice as accountants and a partnership carrying on business as members of a recognized stock exchange. Accordingly, members of the three professions in question may, subject to the same qualifying conditions as in section 120, form limited partnerships consisting of more than twenty members, without, as in the case of limited partnerships consisting of not more than twenty members, any limitation of discretion as to the number or proportion of members in a particular partnership who are general partners or limited partners.

Current Affairs

Management Information Systems

SEVERAL study groups have been set up by The Institute of Cost and Works Accountants to look into and consider the impact of computers on business organization and the use of management information within the concern. The first fruit of this exercise is the appearance of Part 1 of a three-part series of booklets on *Management Information Systems and the Computer*.

This first part is entitled *The Design of a Management Information System*,¹ though its scope is much wider than the title suggests. It deals extensively with the theory of management decision-taking and the con-

sequent information needs. The authors are to be complimented on emphasizing the fact that any appraisal of the needs of the information system must start with a definition of the objectives – first, of the company itself, and secondly, of the individual manager. This definition of objectives is often lost sight of in United Kingdom companies, with the consequent imprecision of managerial targets and organizational structures.

Quite rightly the authors stress that the information needs of a company can only be defined within the context of the company's objectives and the information required by its management for effective decision taking. Following this appraisal of information needs, the authors proceed to examine the design concepts of an information system and the impact of the computer on such concepts. They conclude with a discussion of the place of the management information service in the organizational pattern of the company and methods of marshalling and handling data.

In view of the wide-ranging examination of the management process in the early part of the booklet, it is a pity that references to detailed operations thereafter are so heavily oriented to internal operations of the company. A manager's decisions are so largely conditioned by the environmental factors of the company that any information system for decision taking must include methods of environmental information collection if decisions are to be based on an appreciation of all the facts.

The authors express the hope that their paper may

¹ *The Design of a Management Information System*, Institute of Cost and Works Accountants, London 1967. Fifty-six pages, price 10s 6d.

form the basis of further discussion and debate. It is to be hoped that this challenge will be taken up, as they have certainly set the scene for a fundamental re-appraisal of the information needs of business organizations.

Mr S. J. Pears resigns from the Council of the Institute

THE announcement of the resignation of Mr S. J. Pears, F.C.A., from the Council of The Institute of Chartered Accountants in England and Wales was received with regret at the Council meeting on Wednesday of last week (reported on other pages of this issue).



Senior partner in Cooper Brothers & Co, of London, Mr Pears was President of the Institute in 1960-61 and had been a member of the Council since 1946. He has been an active participant in the affairs of the Institute having served on most of its committees

either as a member or chairman.

Well known for his work outside Institute affairs, Mr Pears has been a member of a number of Government committees, being vice-chairman of the Advisory Committee on R.O.F. accounting from 1946-50; a member of the Committee of Inquiry into the Cement Industry in 1946 and, in 1948 a member of the Building Working Party. He has also undertaken numerous appointments for the Board of Trade, notably the deputy chairmanship in 1946 of a wool working party; the directorships from 1948-52 of the National Film Finance Corporation and of Festival Gardens Ltd in 1952-53, and membership of the Committee on the Export Credits Guarantee Department in 1955. From 1956-60 he was a member of the Inland Revenue Board of Referees and for the same period acted as accountant adviser to the United Kingdom Atomic Energy Authority.

Mr Pears has been the Institute's representative on the executive committee of U.E.C. for the past year and last month attended a meeting of that committee in Paris.

The Land Commission

AS the activities of the Government and its agencies increase in their scope, so the possibilities of conflict between private and public interest are bound to grow. It is this fact that led to the appointment of Britain's first Ombudsman, or Parliamentary Commissioner.

One of the areas in which the individual has un-

doubtedly felt himself at a disadvantage is the power vested in local authorities to acquire land and buildings by compulsory purchase. It is platitudinous to assert that no one should be allowed, as has happened in the distant past, to exploit the public authority to his own advantage. As with so many things, however, the pendulum has swung too far the other way.

Thus the latest announcement from the Land Commission on the subject of its land acquisition policy strikes a note which augurs ill for private rights in the future. The Commission informs builders and developers that they will be prepared to consider acquiring land – if necessary by compulsory purchase – on behalf of a particular firm where the land is required to round off a scheme being carried out by the developer or where the developer can show that he has been negotiating unsuccessfully for the land over a long period.

To make such an offer is deliberately to tip the balance of bargaining power between the developer and the private citizen sharply in favour of the former. It is bad enough to see instances where local authorities in the name of urban renewal, slum clearance or other schemes, ride roughshod over the rights of individual citizens unable, in every sense of the term, to defend their tenuous rights. Now it seems, the big battalions are to be ranged on the side of the developers too. No doubt there have been quite a few cases where the individual property-owner has been able to exploit his bargaining position *vis-à-vis* the developer, but by and large, like bookmakers, there are few developers on the bread line in consequence of the occasional trimming!

Not even the Land Commission would contend that its inception was marked by any great enthusiasm in the community. But most citizens expected to wait just a little longer before some of their worst fears were realized.

E.E.C. Report on Britain

DESPITE all the publicity accorded the 'leak' of the contents of the Common Market Commission's report on Britain's application for membership, it would be unrealistic to pretend when it became officially available last week-end that it contained anything new. The basic issues are quite well understood. They concern the state of the British economy and its consequences for the balance of payments and, perhaps more controversial still, the role of sterling should Britain be admitted to full membership of the Community.

The review of the present state of the British economy and its prospects in the report, attributed to the French Commissioner, M Raymonde Barre, may not be optimistic. He observes that the difficulties encountered by the United Kingdom economy, internally and externally, have led many observers as well as British analysts to think that even a modest rate of 3 per cent growth between now and 1970 could, in

certain circumstances, exceed the capacity of the British economy and lead eventually to new balance of payments difficulties.

No one, except perhaps the audience at Scarborough last week, could seriously believe that either the Prime Minister or the Chancellor of the Exchequer really showed the country how the British economy was to be revived and its efficiency enhanced. The plain truth of the matter, as the report so rightly indicates, is that nothing has happened in the past two and a half years to suggest that the present Government has any better prospects than had its predecessors of dealing with the basic problems of British industry.

The one possible contribution to efficiency, i.e. the higher level of unemployment, is a two-edged weapon; for while it may stimulate effort in some industries, it

will in many others merely intensify the resistance to change. What is so sorely needed in the United Kingdom economy, as M Barre notes, is the elimination of its structural defects, in particular the misallocation of resources and the obstacles to higher productivity.

In a recent speech Mr Callaghan went a long way to meet the French attitude on the future role of sterling in the world economy. It hardly needs the expertise of the Commission's economic secretariat to demonstrate the utter inability of the United Kingdom to continue pretending that sterling will remain an international currency indefinitely. Yet, quite apart from all these issues which must be thrashed out before entry is granted, the time is rapidly approaching when the Government needs to spell out to the British public just what membership of the Community will mean.

This is My Life

by An Industrious Accountant

WE have recently been conducting an intensive campaign to induce our senior sales staff to become more profit-conscious. We've given up attempts to indoctrinate the sales manager, Scotty, because he belongs to that mentally hide-bound school of thought which thinks it the height of humour to jibe at figures. So we've been concentrating on his middle-level subordinates. And so far, results have been quite promising.

We asked the store engineer, who has a flair for that sort of thing, to mock-up a model of the ground-floor sales departments, with coloured bobbins representing staff. A wall-chart showing gross profits, fixed and variable costs, and sales targets illustrated the turnover and mark-up necessary to reach break-even point, or better, and the average revenue per square foot. We put this architectural masterpiece in mid-table and convened an Accounts Department/salesmen meeting.

Discussion at first was complimentary and harmonious, the salesmen being flattered by all the trouble we had taken to put them in the picture. Soon, however, they became obstreperous. Old Michael, the chief buyer in Woollens, declared that his department was over-debited area-wise since the space under the stairway had always been unused until he renovated it; and Trevor, of Lingerie, went epileptic at being charged with a share of the escalator costs. We also have one of those big open floor bays above the children's wear, whose suggested allocation as an aesthetic asset for average charge calculations nearly precipitated a riot.

Scotty fanned the flames by playing favourites – a bad habit of his which often creates tensions among his staff. His latest protégé, Bertie, was in attendance at the

meeting and their over-comradely reactions were raising hackles all round.

Scotty tends to intervene in the middle of an animated discussion among his subordinates with some such remark as – 'I'd like to hear Bertie's views at this stage'. Bertie meantime has been sitting silent, absorbing the salient points made, so that he can avoid the pitfalls as he summarizes impressively. He elaborates the better suggestions made, whereupon Scotty is wont to say smilingly: 'Well, *you* certainly seem to have a good grasp of it, Bertie'.

In the ancient phrase, he inclined his ear favourably to his henchman. He also irritated his other colleagues more than somewhat. In the present instance they were sufficiently wise in their generation to conceal their emotions but odd scowls were to be seen.

Finally, Trevor lost his patience. He had just made quite a useful suggestion on the merits of a blanket allocation of charges for lifts, stairways, information bureau services and so on, which developed into a constructive free-for-all. Bertie, who is fundamentally quite smart and has improved considerably under the sales manager's coaching, supported the idea in rather patronizing style. Scotty thereupon nominated Bertie – with Trevor's help of course – to get together with Accounts to do a study in depth of the costings involved.

But Trevor said bluntly that he could cope without dragging another salesman into it unnecessarily; it was his idea in the first place anyway. Some bitterness was about to erupt when the departmental accountant interrupted with unusual guile. He'd circulate a draft memo to all concerned as a kick-off, just to get the ball rolling, he said. We all agreed loudly in order to avoid forcing the issue and the meeting adjourned with several annoyed people not speaking to one another.

The real pay-off was when the departmental accountant – who is a pal of Trevor's – was heard to say afterwards to Bertie that a rotational spell in Accounts would teach him to drop his rat-racing; we didn't hold with that sort of thing in our department.

D.C.F. and the Criteria of Yield

by E. J. BROSTER

THE idea that a given criterion of yield, or net profit, belongs exclusively to a particular investment appraisal method runs all through the superabundant literature on the subject of capital works appraisal: that the rate of return belongs exclusively to the internal rate of return (I.R.R.) method, that the net present value belongs exclusively to the net present value (N.P.V.) method, and that the annual money return belongs exclusively to the annual value (A.V.) method. In fact, nothing could be further from the truth.

By I.R.R. is meant the method which was, and sometimes still is, referred to as discounted cash flow (D.C.F.). D.C.F. is now correctly coming to be regarded as the generic term for all discounting methods, since such methods have this in common: they all discount the cash flow. Both N.P.V. and A.V. discount the cash flow just as much as I.R.R.

Criteria compared

There are six main criteria of yield and they are all interchangeable; that is, if we have the yield in terms of any one of them, we can easily translate it into terms of any other, given that we have the basic data consisting of the capital outlay, the appropriate rate of interest and the life of the asset. The six criteria are:

- (1) the annual net yield in terms of money over the life of the asset;
- (2) the annual net yield in terms of money in perpetuity;
- (3) the rate of return on capital over the life of the asset;
- (4) the rate of return in perpetuity;
- (5) the present value of the net yield, that is, the net present value or N.P.V.; and
- (6) the terminal valuation as a capital sum.

Criteria 3 and 4 may be expressed as a rate of return either on risk capital or on total outlay. Risk capital is defined briefly as the total outlay less the present values of the savings on tax allowances and of any cash grants received or receivable under the provisions of the Industrial Development Act 1966. The capital method, as it may be called, of taking care of tax allowances and cash grants, I have described and demonstrated elsewhere.¹ For our present purpose, we can ignore these factors and assume that they are accounted for in the hypothetical capital outlays used for demonstration. We can also ignore the incidence of corporation tax and income tax, which are equally irrelevant to the object of this article.

It will be gathered from the foregoing that the six yield criteria are tautologies in the sense that they provide different ways of saying the same thing. Suppose a firm projects a new work which consists of a single fixed asset,

say a machine tool or a crane. The anticipated life of the asset is ten years, its capital cost £1,000, and it is expected to yield £100 net a year over its life. The appropriate rate of interest is 7 per cent. Then we have the following results:

- (1) £100 a year net yield, as given;
- (2) £49.2 a year in perpetuity;
- (3) 10 per cent of capital over ten years;
- (4) 4.9 per cent of capital in perpetuity;
- (5) £702.4 present value of net yield (N.P.V.);
- (6) £1,381.6 terminal valuation.

The present value of £1 a year for ten years is £7.024. For £100, it is therefore:

$$£100 \text{ at } £7.024 = £702.4$$

which gives criterion No. 5. This amount of £702.4 invested at 7 per cent in an undated Government bond or similar security would yield a perpetuity of £49.2 a year:

$$£702.4 \text{ at } 7 \text{ per cent} = £49.2 \text{ a year}$$

which gives the yield in terms of criterion No. 2. Invested at 7 per cent compound for ten years, it would amount to £1,381.6 at the end of the tenth year, i.e.:

$$£702.4 \text{ at } £1.967 \text{ per } £ = £1,381.6$$

which expresses the terminal valuation of the yield. The terminal valuation is also equal to the amount at the end of the tenth year of £100 a year:

$$£100 \text{ at } £13.816 \text{ per } £ = £1,381.6$$

It follows that if we begin with the terminal valuation of the asset, we can determine the net yield by dividing it by the amount of £1 a year for ten years, and the net present value of the asset by dividing it by the amount of £1 for ten years, thus giving us the yield in terms of criteria Nos 1 and 5.

A yield of £100 a year for an outlay of £1,000 is equivalent to a rate of return on capital of 10 per cent over the life of the asset, to give us criterion No. 3, and a yield of £49.2 in perpetuity on £1,000 gives a rate of return of 4.9 per cent in perpetuity, which gives criterion No. 4. Similarly, if we begin with the net present value of £702.4, we would take the annuity for ten years at 7 per cent which this principal sum would purchase, i.e.:

$$£702.4 \text{ at } £0.1424 \text{ per } £ = £100 \text{ a year}$$

which brings us back again to criterion No. 1. The tautology of the several yield criteria follows largely from the compound interest relationship discussed in the previously mentioned article of April 23rd, 1966.

Discounted cash flow

It may be objected that this analysis is based on the net yield instead of the cash flow of net receipts. This is quite

¹ 'Practical Compounding and Discounting in Project Analysis', *The Accountant*, April 23rd, 1966.

true; but we could begin with the rate of return as calculated by I.R.R., or with the net present value as calculated by N.P.V., and still be able to express the net yield in terms of the other criteria. However, a serious difficulty arises with I.R.R., which does not employ or even recognize a rate of interest.

The internal rate of return is that rate of discount which equates the present value of the cash flow of net receipts to the outlay. Economists call it the marginal efficiency of capital, which Keynes says is not a rate of interest and cannot be used for evaluating the yield of an asset.² However, if we assume that the net rate of return over the life of the asset is as shown above, that is 10 per cent, then the money yield by the I.R.R. criterion is £100 a year. Given that 7 per cent is the appropriate rate of interest, then the rest follows.

The advocates of I.R.R. including A. M. Alfred, A. J. Merrett, A. Sykes and A. S. Ashton, claim that I.R.R. takes care of the fact that owing to the rate of interest £1 today is worth more than £1 tomorrow. But since it does not employ a rate of interest, this is precisely what I.R.R. does not do. In short, it is not a valid discounting method.

Both the other main methods of discounting, that is A.V. and N.P.V. employ the appropriate rate or rates of interest and are therefore valid, in this respect at any rate. In a simple example like the above, the two methods give identical results. The cash flow of net receipts for this example happens to be £242.4 a year.

By A.V. we have:

<i>Interest on capital</i>	£
£1,000 at 7 per cent	70.0
<i>Amortization of outlay</i>	
7 per cent sinking fund at 7 per cent over ten years:	
£1,000 at £0.724 per £	72.4
Total annual capital charge	<u>£142.4</u>

Deducting this annual cost from the cash flow of £242.4, we are left with a net yield of £100 a year.

By N.P.V., we have the present value of £242.4 a year for ten years, that is:

	£
£242.4 at £7.024 per £	1,702.6
Deduct outlay	1,000.0
Net present value (N.P.V.)	<u>£702.6</u>

which differs slightly from the figure of £702.4 above owing to rounding.

Compounded cash flow

The terminal valuation is directly derived from the capital outlay and the cash flow by an independent method, which is one of compounding rather than of discounting. However, within its limitations it is as valid as A.V. and N.P.V. in this respect. We first compound the cash flow to its amount at the end of the last year of life, and then deduct from it the compounded amount of the capital outlay. Thus for our example we have:

<i>Compounded value of cash flow:</i>	£
£242.4 a year at £13.816 per £	3,349.0
<i>Deduct compounded value of outlay:</i>	
£1,000 at £1.967 per £	1,967.0
Terminal valuation	<u>£1,382.0</u>

This compares with the figure of £1,381.6 above, the slight difference being due to rounding. It will be observed that the T.V. method, as it may be called, is similar to N.P.V., the main difference being in the timing.

The internal rate of return

As implied above, I.R.R. employs its own internal discount rate instead of a rate of interest, so that it can give the same result as A.V., N.P.V., and T.V. only where this discount rate happens to be equal to the appropriate rate of interest. Oddly enough, where they do happen to be equal, one to the other, the net yield is always zero, and there can only be a positive net yield where the internal discount rate, that is the internal rate of return, exceeds the rate of interest.

In the above example, then, we would expect the internal rate of return to exceed 10 per cent, and so it does: it is 20 per cent. But as this figure is gross of the charge for interest on capital, it needs to be reduced by 7 per cent to make it comparable to the solution result reached by A.V., N.P.V. and T.V., leaving a net yield of 13 per cent.

It is not possible to arrive at the internal rate of return exactly without a time-consuming exercise in trial and error: in the example, it is slightly more than 20 per cent. I.R.R. assumes that each amount set aside annually in the sinking fund in amortization of the outlay accumulates at the internal rate of return, that is 20 per cent in the example. If we adopt this figure as the rate of interest and deduct it from the internal rate of return, we are necessarily left with a net yield equal to zero.

By A.V., we arrive at the same solution, subject to a small error:

<i>Interest on capital:</i>	£
£1,000 at 20 per cent	200
<i>Amortization ten years, 20 per cent S.F.</i>	
£1,000 at £.390 per £	39
Annual capital charge	239
Cash flow	242
Net yield	<u>£3</u>

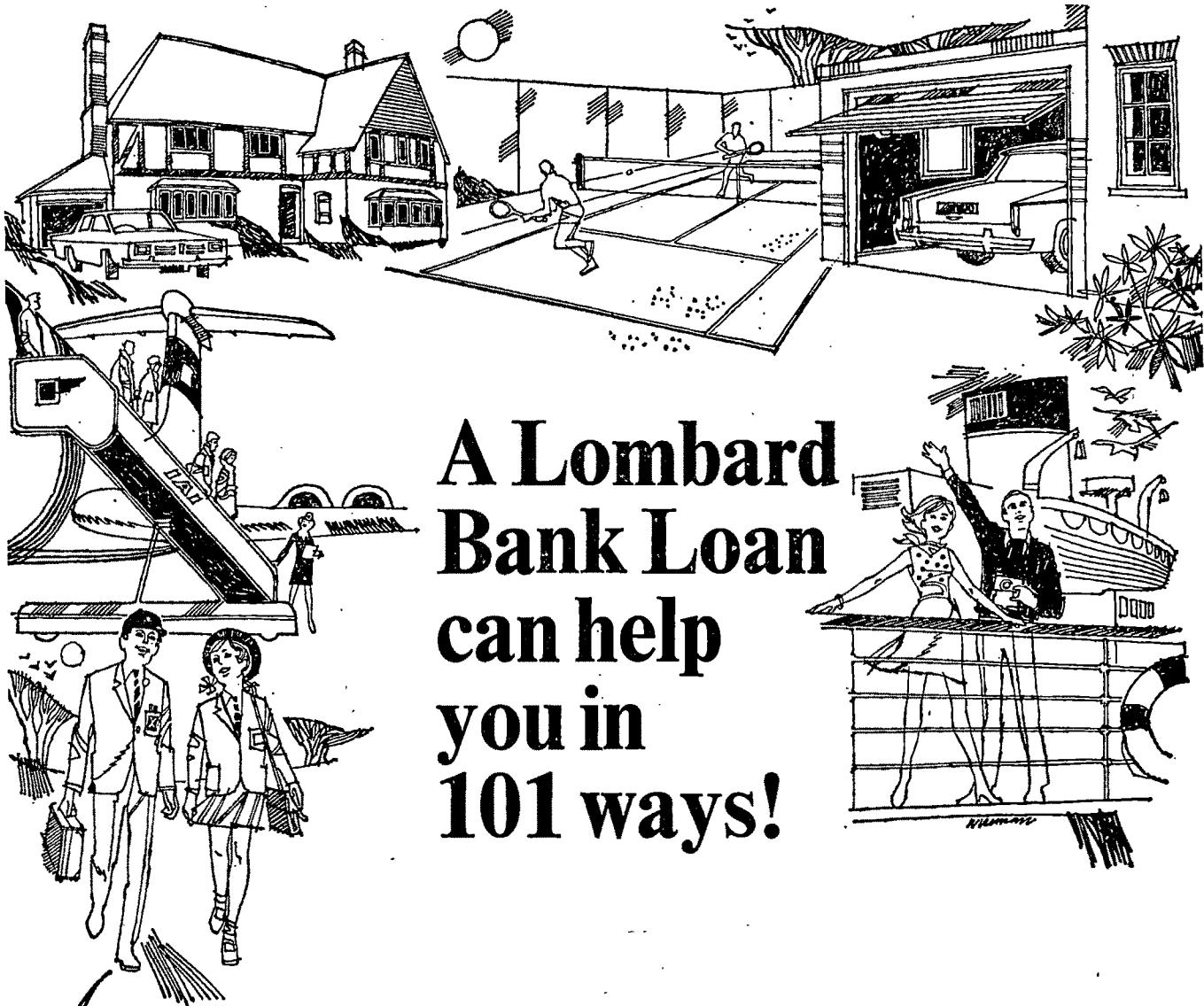
By N.P.V., again the same result:

<i>Present value ten years at 20 per cent:</i>	£
£242.4 at £4.192 per £	1,016
Deduct outlay	1,000
Net present value	<u>£16</u>

And by T.V.:

<i>Amount end of ten years at 20 per cent:</i>	£
£242.4 a year at £25.959 per £	6,292
<i>Deduct:</i>	
£1,000 at £6.192 per £	6,192
Terminal valuation	<u>£100</u>

² *The General Theory of Employment, Interest and Money*, page 137.



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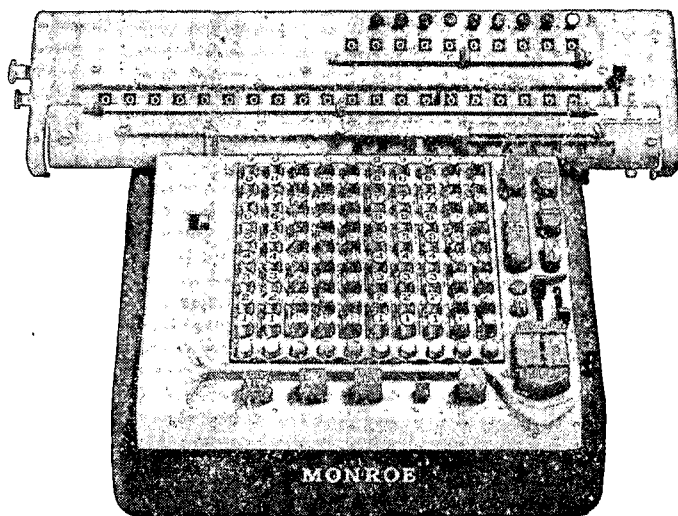


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This can be checked from the N.P.V. solution of £16, i.e.:

$$\text{£16 at } \text{£6.192 per } \text{£} = \underline{\text{£99}}$$

This hypothetical example has a net yield of £100 a year, and a rate of return on capital of 10 per cent, by any reasonable acceptable standard. But if the rate of interest is assumed to be equivalent to the internal rate of return, the solution net yield is zero or near enough to make no matter. It also follows that if the appropriate rate of interest gives a net yield of zero, that rate is equal to the internal rate of return. Then and only then can the I.R.R. solution be accepted as valid.

Outlay and asset life

It will be observed that some of the criteria of yield involve the outlay and the asset life in order to calculate them, and that one of them involves both. Although the six criteria are tautologies, there are therefore some underlying differences which in some circumstances may come to the surface.

If, for instance, the outlay or asset life were variable, then the tautology would to some extent disappear, for the tautology exists only for a given outlay and for a given asset life. But no asset can be said to have a plurality of outlays or lengths of life. The significance of outlay and life arises where two or more mutually exclusive capital projects are being compared, when outlays and asset lives may vary. It is the ranking of alternative assets or projects which renders an understanding of the several yield criteria a matter of some importance.

Before turning to the problem of ranking we need to examine the factor of asset life. Every fixed asset is given a book life for depreciation and costing purposes which may be anything from, say, five years for a concrete mixer or a heavy lorry to infinity for a plot of land or an earth-work. There is a belief in academic circles that all capital works have finite lives; but in my experience most capital projects or works have indefinite lives in the sense not so much that the life cannot be estimated as that the capital works are expected to continue yielding a profit indefinitely. The only assumption one can make in such circumstances is that the life of the work is infinity and the estimated yield a perpetuity. This is not so fanciful as it may appear.

The present value of a perpetuity of £1,000 a year is equal to the principal sum that would have to be invested in a Government bond or similar security at the appropriate rate of simple interest to yield £1,000 a year. At 5 per cent this principal sum would be £20,000, compared with the cost of a limited annuity for fifty years of £18,256 and for one hundred years of £19,848. With a rate of interest of 7 per cent, a perpetuity of £1,000 a year would cost £14,286 and the annuities for fifty years would cost £13,801; for one hundred years, £14,269.

The present value of any amount payable in the very remote future would be zero at any rate of interest; of £1,000 payable in one hundred years at 7 per cent it would be £1 3s. Similarly, any amount payable in the remote future does not call for amortization, the annual sinking fund being zero; to amortize £1,000 over one hundred years at 5 per cent, the annual sinking fund would be 7s 8d. The amount of £1, and of £1 a year to infinity, would both be infinity. But since there is no terminal year, there can be no terminal valuation, so that the T.V. method of compounding is necessarily limited to the small proportion of capital works that have a known limited life.

These conclusions would appear to rule out two other methods as well, namely, I.R.R. and N.P.V. which are both usually demonstrated on a known life. But this is not necessarily true. Where the cash flow of annual net receipts is assumed to be a perpetuity, simple interest is the answer. Then the internal rate of return is equal to that rate of simple interest which would equate the cost of purchasing the perpetuity to the capital outlay; and the net present value is the cost of purchasing the perpetuity at the appropriate rate of interest, less the capital outlay. Here, whether or not the internal rate of return is equal to the rate of interest, I.R.R. and N.P.V. give the same solution net yield.

A simple example will demonstrate the logic of these propositions. If the outlay on a work is £1,050 and its cash flow a perpetuity of £210 a year, the internal rate of return is 20 per cent:

$$\text{£} \frac{210 \times 100}{1,050} = 20 \text{ per cent}$$

If the rate of interest is 7 per cent, the I.R.R. net yield is 13 per cent. By N.P.V., we have:

P.V. of cash flow = £	$\frac{210 \times 100}{7}$	..	..	£	3,000
Less Outlay	..	..	..	..	1,050
Net present value	..	..	..	..	<u>£1,950</u>
Annual net yield in perpetuity:					
£1,950 at 7 per cent	..	..	..	..	<u>£136.5</u>

Rate of return on capital:

$$\text{£} \frac{136.5 \times 100}{1,050} \text{ } 13 \text{ per cent}$$

Where the fixed assets that give the new work a physical existence consist of land and earth-works, then A.V., too, gives the same solution rate of return:

				£	
Cash flow of annual net receipts	..	..	..	210.0	
Deduct Interest on outlay:					
£1,050 at 7 per cent	..	..	..	73.5	
Annual net yield	..	..	..	<u>£136.5</u>	
Rate of return on capital	..	..	..	<u>13 per cent</u>	

But what, it will be asked, happens where the capital project provides for wasting fixed assets? Neither I.R.R. nor N.P.V. have the answer. Nor, indeed, has either a simple answer where the capital work has a definite life and provides for a plurality of fixed assets with different lives.

On the other hand, A.V. is an annual capital charge method and therefore has the simple answer. It charges interest on the total risk capital and provides for the renewal of each asset separately on the basis of its net replacement cost. In the simple example above of a new work consisting of a single asset with a life of ten years, we used the asset life for depreciation purposes in calculating both I.R.R. and N.P.V. as well as the A.V. solution net yield. Single asset projects can always be assessed by N.P.V. in this way, provided it is kept in mind that any difference between the outlay and the net replacement cost should be accounted for in the cash flow for the last year of the asset's life.

Ranking alternative capital works

It goes without saying that in comparing the solutions achieved by different methods, it is important to express the results in terms of the same yield criterion. It will be gathered from the foregoing that it is even more important where alternative new works are being ranked. But more, it is often essential to choose the right criterion or one of the right criteria, for different yield criteria will sometimes give different rankings.

In an article on 'Capital Investment Criteria' in *The Bankers' Magazine* for August 1965, G. H. Lawson on page 80, wrongly ascribes different rankings to differences in method. In his illustration (iii), he applies A.V. and a method called S.F.R. (sinking fund return) which is A.V. without the interest charge, to determine the ranking of two mutually exclusive capital projects, A and B, and expresses the A.V. solution in terms of the money net yield, and the S.F.R. solution in terms of the rate of return on outlay. His solution rankings are: A.V. finds project A less profitable than B, and S.F.R. finds project A more profitable than B. The relevant data are:

Project	Outlay £	Life years	Annual cash flow £	Annual yield A.V. £	S.F.R. per cent
A ..	1,004	10	200	57	12.64
B ..	1,560	10	288	66	11.22

The rate of interest used for calculating the yields is 7 per cent. We can bring the two solutions rankings to terms either by converting the A.V. money yields to rates of return, or the S.F.R. rates of return to money yields, by the methods described above. Since the two projects have different capital outlays, the rate of return, which eliminates the effect of the capital outlay on the solution, is the right yield criterion to use in this case. Converting A.V., we have:

Project A	$\frac{57 \times 100}{1,004}$	..	..	..	per cent 5.68
Project B	$\frac{66 \times 100}{1,560}$	..	..	..	4.23

so that A.V. gives the same ranking as S.F.R., and Mr Lawson's different rankings are due, not to the use of two different methods, but to the two different yield criteria. Mr Lawson experiences the same difficulty when he applies I.R.R. and N.P.V. to the same example. His rankings by these two methods are:

Project	Annual I.R.R. per cent	yield N.P.V. £
A ..	15	401
B ..	13	463

This time he is trying to compare yield in terms of the net present value with yield in terms of the rate of return,

and again he arrives at a nonsensical answer. Converting the N.P.V. figures to rates of return at 7 per cent, we have, for A, 5.68 per cent and for B, 4.23 per cent, so that all four methods applied to the example give the same ranking when the same yield criterion is used.

In ranking projects A and B, we had only one of the two possible variable factors to take into account, that is, outlay; the other factor – life of project – being the same for the two projects. Where life of project is a variable factor, the proposition is that, say, £1,000 for twenty years is worth more than £1,000 a year for ten years. The net present value or what is the same thing, the present value of the net yield, and the money yield and rate of return in perpetuity take account of project life, the other three yield criteria do not. Suppose two mutually exclusive capital projects C and D are to be ranked, the basic data being as follows:

Project	Outlay £	Life years	Annual net yield £	Rate of return per cent
C ..	10,000	20	2,000	20
D ..	10,000	10	2,000	20

It goes without saying that C is worth more than D and therefore has the higher ranking. But on the basis of the money value of annual net yield and rate of return, the two projects appear to be of equal ranking. At 7 per cent interest, the present value of the net yield, that is, the net present value, of project C is £21,188, and of project D, £14,048. The net yields in perpetuity are £1,483.2 for C and £983.4 for D; and the rates of return in perpetuity are 14.8 per cent for C and 9.8 per cent for D.

This goes to show that the net present value, the net yield in perpetuity and the rate of return in perpetuity take account of differences in project life. It should be added that the terminal valuation also takes account of differences in life; but tends to exaggerate the effect. For project C, it is £81,990, and for D, £27,632, so that it gives greater weight to the later years of life than to the earlier years, which is one of the major defects of T.V.

Best general-purpose ranking criterion

A valid general purpose ranking yield-criterion must take account of both variable factors, outlay and life. Of our six yield criteria, only one, the rate of return in perpetuity, satisfies the conditions. There is another ranking criterion which satisfies the conditions but which could scarcely be regarded as a yield criterion; it is the net present value expressed as a ratio of the capital outlay. It gives exactly the same ranking as the rate of return in perpetuity. We will apply these two ranking criteria (at 7 per cent) to two alternative projects, E and F, in which the net annual yield is the same, but in which the life and outlay of one is double that of the other, thus having the two variable factors opposing each other:

Project	Outlay £	Life years	Annual net yield £	N.P.V. £	Ratio N.P.V./ Outlay per cent	Perpetuities Net yield £	Rate of return per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
E ..	20,000	20	1,000	10,594	53.0	741.6	3.7
F ..	10,000	10	1,000	7,024	70.2	491.7	4.9

A comparison of columns (5) and (7) shows that the two ranking criteria give exactly the same result, for:

$$\frac{70.2}{53.0} = \frac{4.9}{3.7} = 1.32$$

They award the higher ranking to F, that is the project with the lower capital outlay over the project with the longer life. Of the two variable factors, outlay is therefore the more important. It is also the more important in another sense: most projects have indefinite lives and their annual net yield are perpetuities without conversion.

Conclusions

Every discounting method initially expresses yield in terms of a particular yield criterion but this does not tie the method to that yield criterion, nor the yield criterion to that method. Yield criteria are common property, so to speak,

and no method should be judged by reference to the yield criterion in terms of which it initially expresses yield.

The A.V. method is superior to N.P.V., and N.P.V. to I.R.R., but not because of any association with particular yield criteria; for the several yield criteria are tautologies: once the net yield in terms of any one of them has been determined, it requires no more than simple arithmetic to express it in terms of any other.

Yield criteria have their special significance in the process of ranking alternative projects. Of the six criteria examined, the best general-purpose one is the rate of return on capital outlay in perpetuity: the rate of return element takes care of the outlay as a variable factor, and the perpetuity element takes care of project life or asset life. And it can be used where outlays or lives or both are constant; so that it is of unlimited application. This cannot be said of any other of the six yield criteria.

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Learning to Live with Taxes on Capital Gains – I

by STANLEY KITCHEN, F.C.A.

WE have, over many years, learned to live with taxes on income and with estate duty, the levy on wealth at death. Of recent years, however, more with the intention of rectifying social justice than as a means of raising revenue, capital profits have become the subject of new forms of taxation. These new taxes are of extreme complexity and, although we are all now conscious of some aspects of them, it is still difficult to appreciate all the basic principles involved and their practical application.

2. In learning to live with these capital taxes we must also understand the situations in which they arise and their relationship with one another and with taxes on income and estate duty. Tax planning, which arises from the taxpayer's right to organize his affairs to attract the minimum tax liabilities, ought to be considered by every taxpayer in some form or other. Even the simple question of whether a transaction should take place today or tomorrow might have tax implications.

3. This paper attempts to identify the main principles and to segregate the implications involved for differing kinds of taxpayers. It also seeks to shed some light on the methods of calculating liabilities, based on what must be regarded as a short period of practical experience.

4. This vast subject does not lend itself to simple treatment but in condensing it I may have oversimplified some aspects. I have therefore signposted references to the appropriate Acts, where practical,

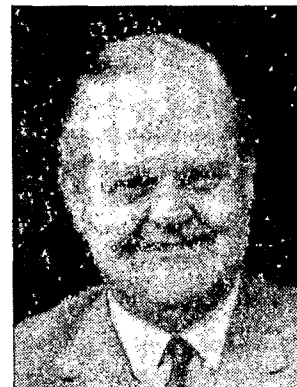
so that the niceties of the law can be followed with, I hope, greater ease than I have had.

The taxes on capital gains

5. The taxes dealing with capital gains are as follows:

- (1) *Short-term tax.* This was imposed by the Finance Act 1962. It now applies to chargeable persons, other than companies, on the disposal of a chargeable asset within twelve months of its acquisition. For acquisitions in the period from April 10th, 1962, to April 6th, 1965, this time limit was six months, except in the case of

Mr Stanley Kitchen, F.C.A., the author of this paper presented at the recent Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales, is a partner in the firm of Touche, Ross, Bailey & Smart, of Birmingham. Admitted to membership of the Institute in 1937, Mr Kitchen has served on the Council since last December.



land where it was three years; the tax also applied to companies, but the chargeable assets did not include chattels and business assets. Assessments are made to income tax under Case VII of Schedule D and the period of charge is a current year of assessment.

- (2) *Long-term tax or capital gains tax.* This was imposed by the Finance Act 1965, and, although it is convenient to refer to it as a long-term tax, it is all-embracing and can include gains in a short-term period. It applies to chargeable persons on the disposal, after April 6th, 1965, of any property not otherwise chargeable or exempt. Disposal has a wide meaning and is deemed to take place on defined occasions such as death. Gains and losses are limited to the proportion attributable to the period after April 6th, 1965. For companies, assessments are made to corporation tax on accounting periods. For other persons, assessments are to capital gains tax and the period of charge is a current year of assessment; the tax is payable three months after that year or thirty days from the assessment date, whichever is later.
- (3) *Betterment levy.* This was imposed by the Land Commission Act 1967 and applies on occasions from April 6th, 1967, when profit is deemed to arise out of the development value in land.

These taxes have been varied by the Finance Acts 1966 and 1967 and amendments made by these Acts have been taken into consideration.

GENERAL PRINCIPLES

Gains and losses

6. The disposal of an asset may give rise to tax implications either as:

- (1) income or profits; or
- (2) short-term gains, except for companies; or
- (3) long-term gains.

Every disposal has to be examined in this order to see into which category it falls. Where a disposal within the time limit is outside the short-term rules, it may nevertheless be within the long-term rules. There may be a few occasions when a disposal is involved partly as income and partly as capital.

7. The disposal of land with development value gives rise to the betterment levy, which is treated as an expense for traders and for short-term gains, but, where the long-term tax is involved, the development part of a gain which is subjected to levy is not also subjected to capital gains tax, although there may be cases where both levy and tax overlap, when the tax may be allowed as a deduction from levy.

8. For both the short- and long-term taxes losses are computed in the same way as gains. The two taxes are treated entirely apart and losses for one tax cannot be offset against gains for the other except transitionally for companies.

9. In a period of charge gains and losses for the same tax are offset. If the net result is a loss, this can only be offset against gains for the same tax in future

periods – the long-term tax allows one exception to this rule on and following the death of an individual. If the net result is a gain, a tax liability arises unless similar capital losses are available from a previous year, or there are current trading losses which can be offset in limited circumstances.

10. The date of making a disposal can be important, particularly in relation to periods of charge. Tax could well be paid on a gain in one period followed by an unrelieved loss in the next period. If this can be anticipated there could be advantage in deferring the disposal giving rise to the gain. Similarly a short-term gain might arise in one period, which could be converted to a long-term gain by deferring the disposal until the next period, and this advantage would be greater if long-term losses were available. The reverse might apply if short-term losses were available.

FA 1965
sch 7
p15-17

11. Care must be exercised in disposing of an asset to a connected person, as certain restrictions are imposed. For the long-term tax the transaction is not regarded as at arm's length and, if not at market value, it must be treated as such; if there is a loss on the disposal this is only allowed against a chargeable gain on another disposal to the same connected person while still connected.

p21

12. A connected person has a wide meaning and the following table sets out for differing persons who is included:

Individual:	spouse	
	relative (brother, sister, ancestor or lineal descendant)	
	spouse's relative	
	spouse of one of these relatives	
Partner:	partner	} Except bona fide arrangements with partnership assets
	spouse or relative of partner	
Trustee of settlement:	settlor	
	person connected with settlor	
	body corporate connected with settlement	
Company:	company under same control, a person and those connected with him being treated as one person	
	person who, with persons connected with him, controls company.	

13. For both the short- and long-term tax no disposal arises on transactions between a husband and wife, personal representatives and a person taking as legatee, a person with an absolute interest and a nominee, and between companies in the same group. If a gain is likely to arise on the disposal of an asset advantage might sometimes be taken of this rule to move an asset before disposal if losses are likely to be available.

FA 1965
sch 6
p31

14. If the history of an asset has to be traced for the long-term tax, the rules are regarded as having applied before April 6th, 1965.

15. The basic requirement for either the short- or long-term tax is that there must be a chargeable person, a chargeable asset and a chargeable disposal. This requirement is now briefly examined under the three component headings.

Chargeable personsFA 1962
s10(1)

16. To be liable for the short-term tax, a person must be both resident AND ordinarily resident in the United Kingdom for a year of assessment.

FA 1965
s20(1)

s43(2)

s20(2)

s41, 42

17. For the long-term tax a person is liable if he is either resident in the United Kingdom for any part of a year of assessment OR ordinarily resident during a year of assessment. A temporary visitor would not normally acquire residence in less than six months. Non-residents may be liable, on the disposal of assets in the United Kingdom belonging to a branch or agency through which they trade in the United Kingdom. Resident shareholders of non-resident close companies and resident beneficiaries of certain non-resident trusts may also be liable under certain circumstances.

FA 1962
s12(5)(9)(10)
FA 1965
s22(5)-(8)

18. Nominees or trustees for another person with an absolute interest are treated as acting on behalf of the beneficial owner of the assets, which can be transferred between the parties without involving any acquisition or disposal. No disposal arises on the transfer of an asset by way of security but when a security holder or receiver enforces the security and deals with the asset, he does so as nominee for the owner, subject to the security.

FA 1962
s16(3)
FA 1965
s45(7)

19. Partnership dealings are apportioned to individual partners, who are then assessed as individuals.

FA 1962
s15
FA 1965
s82(2)
s55, s6, 66

20. Exempted persons include charities, superannuation funds, local authorities and persons normally exempt from income tax.

Chargeable and exempt assetsFA 1962
s11(1)
FA 1965
s17(2)(4)
s22(1)

21. Chargeable assets are defined, for both the short- and long-term tax, as all forms of property, whether situated in the United Kingdom or not, including options, debts, incorporeal property and currency other than sterling and, for the long-term tax only, any form of created property, which includes assets such as goodwill or paintings.

FA 1965
s18, 30

22. Assets specifically exempt from both taxes and applicable to all persons include the following:

s17(7)
s27(3)
sch 9

(1) An asset, which is tangible movable property, i.e. a chattel, disposed of for £1,000 or less. Marginal relief and other special rules are considered in paragraphs 104-108.

s17(3)
s27(1)

(2) Certain Government stocks, issued at a discount before April 7th, 1965, in respect of the difference between buying and selling price which falls into the exempt price range.

s17(5)
s27(6)

(3) Private motor-cars, suitable for the carriage of passengers, including appropriate veteran cars.

(4) Decorations awarded for valour except to a purchaser.

23. Certain assets including private residences are specifically exempt from both taxes for individuals only and these are dealt with in paragraphs 54-57.

24. Assets specifically referred to as exempt from the long-term tax include the following:

s27(4)(9)

(1) National Savings.

s27(7)

(2) Winnings from gambling and betting.

s28

(3) Life policies, except where the owner is not the

FA 1965
sch 7
p10
FA 1966
sch 10
p11

original owner and acquired the rights for money.

FA 1965
s31, 32

(4) Other insurance, including capital redemption, policies in respect of the rights of the insurer or the insured. These are exempt on assignment by an original party but not where moneys are received in respect of loss of or damage to an asset.

(5) Gifts of works of art and land for public benefit, if conditions as for estate duty exemption are satisfied.

DISPOSALS***Occasions of disposal***FA 1962
s12(1)(2)

25. For the short-term tax an acquisition or disposal includes the acquisition or disposal of an interest in or right over an asset. A contract to acquire or dispose of an asset marks the acquisition or disposal for the consideration provided in it. There are detailed rules dealing with variations of contracts.

9th sch
p1, 2

26. For the long-term tax disposal is not specified as relating to a contract. It must arise on a transfer of ownership by sale, exchange, or gift, although where there is an enforceable and unconditional contract it is considered that this will establish the date of a disposal as with the short-term tax. Deemed disposals occur on death and in connection with settlements.

FA 1965
s22(2)

27. A disposal for the long-term tax also arises on:

s22(3)

(1) *Part disposal of an asset.* This applies where an interest is created by the disposal, such as a freeholder granting a lease, or where, after making the disposal, 'any description of property derived from the asset remains undisposed of'.

(2) *Receipt of capital sum derived from an asset.* This applies, even if no asset is acquired by the payer of the capital sum, when sums are received such as:

(a) Insurance money or other compensation in respect of loss of an asset or damage or depreciation to it.

(b) In surrender of rights.

(c) Consideration for use or exploitation of an asset.

FA 1965
s23(3)-(5)

(3) *Entire loss of an asset.* If an asset is destroyed or becomes obsolete a loss can be claimed, taking into account any residual value. This value would then be treated as the cost of a new acquisition. Buildings can be regarded as a separate asset from the land, but the residual value must include the market value of the land.

Deferment of the reckoningFA 1965
sch 7
p3

28. For the long-term tax the receipt of a capital distribution in respect of shares in a company, including a distribution on liquidation, is a part disposal, but if the amount involved is small in relation to the value of the asset (say not exceeding 5 per cent) it may be deducted from the allowable expenditure on a subsequent disposal. This can also apply to small compulsory disposals of land and to premiums received on the conversion of securities.

FA 1966
sch 10
p4
FA 1967
sch 13
p4

FA 1965
sch 6
p13
FA 1967
sch 13
p3

29. In certain circumstances, particularly where a capital sum received is used to restore an asset, which is not a wasting asset, the chargeable gain can be offset against allowable expenditure on a subsequent disposal. Similarly if an asset is destroyed and the whole of the capital sum is spent (normally within one year) on replacing the asset, the chargeable gain can be claimed as a deduction from the cost of the new asset, again deferring the incidence of charge.

FA 1965
p33

30. A similar procedure can be adopted where certain business assets are replaced. If the consideration received for the disposal of the old assets, used as fixed assets of a trade throughout ownership, is wholly applied (normally within one year) in acquiring new assets taken into use for the trade, the chargeable gain can be claimed to be deferred and deducted from the cost of the new assets, provided the old and new assets are within the same class of which there are four:

- (1) Buildings and land, fixed plant and machinery.
- (2) Ships.
- (3) Aircraft.
- (4) Goodwill.

FA 1965
s17(9)

A short-term gain could sometimes arise, but there will be no chargeability if the period between the acquisition of the original asset and the disposal of the new asset is in excess of twelve months.

31. The carrying forward of gains are referred to as 'rollover provisions' but it may not pay to claim them if losses are available which can be utilized.

Appropriations to or from trading stock

32. Special considerations arise when an asset is moved in or out of a trade.

FA 1962
9th sch
p7

33. Where a trading asset is withdrawn so that it becomes a non-trading item it is treated as being so acquired at the amount dealt with in the accounts of the trade for tax purposes.

FA 1965
sch 7
p1

34. Where an asset, which has been treated by a person as a non-trading item, is appropriated as trading stock of a trade carried on by that person a gain or loss must be ascertained in relation to market value. If the trade is assessed under Case I of Schedule D an election can be made to treat the acquisition, for computation of profits, as the market value adjusted by the gain or loss. For the short-term tax the election must be given by April 5th in the year of assessment following that in which the appropriation is made.

FA 1962
9th sch
p19(5)

Gifts, including donor-donee rules

FA 1962
s12(5)
FA 1965
s22(4)
sch 7
p15,16

35. Market value has to be determined where any value in an asset passes without consideration. Such transactions are not at arm's length and include gratuitous transfers, where for example, rights are varied, or gifts.

36. A gift is treated as a disposal by the donor and acquisition by the donee at market value.

FA 1962
9th sch
p3

37. For the short-term tax, where both the donor and donee are within the 'resident' rules:

- (1) The donee is not liable under Case VII on his

P19

disposal of the gift within the time limit, if he acquired it as a legatee or if the donor's acquisition and disposal were outside the time limit.

- (2) If the donor is within the Case VII charge on his disposal of the gift, the donee can step into the donor's shoes and treat the asset as it was acquired by the donor, although the acquisition cost to the donee must not be treated as being greater than the market value at the time of the gift. Election must be given usually jointly by the donor and donee, by April 5th in the year of assessment following that in which the gift is made. In these circumstances the donor is not liable under Case VII if he made the gift within the time limit of his acquisition, and the donee is only liable if he disposes of the asset within the time limit of the donor's acquisition.

FA 1965
sch 6
p3(2)

38. The donor-donee election does not apply to the long-term tax, for which purpose there is a disposal by the donor when the gift is made and another by the donee when the asset is subsequently disposed of. If, following an election, a donee disposes of an asset within the time limit of the donor's acquisition and so becomes liable to the short-term tax, this takes out of the long-term tax the donor's disposal by way of gift.

sch 7
P19

39. If a donor of a gift fails to pay the long-term tax within twelve months of the date payable, the donee may be charged within the next twelve months with the amount of tax unpaid. He has a right of recovery from the donor.

FA 1962
9th sch
p3(5)

40. The gift of an asset to a charity occasions a disposal for the long-term tax. The short-term tax does not apply.

IMPLICATIONS FOR DIFFERING PERSONS

It is now appropriate to examine the implications of the general principles for differing persons.

Individuals

Gains and losses

FA 1962
s10(5)-(5)

41. Short-term gains of individuals are assessed as unearned income under Case VII of Schedule D on a current fiscal year basis and may therefore attract both income tax and surtax. Net losses can only be offset against short-term gains in subsequent fiscal years but a trading loss in a fiscal year can be claimed, within two years, to be offset against income, which includes short-term gains, of the same or next fiscal year. A trading loss carried forward to a succeeding fiscal year can only be offset against trading income. A similar limitation applies where a terminal trading loss is spread back over the previous three fiscal years.

FA 1965
s20(5)

42. Long-term gains of individuals are assessed on a current fiscal year basis and charged at 30 per cent, subject to the alternative basis for individuals resident or ordinarily resident in the United Kingdom.

s21

43. This alternative basis is automatically applied if it results in a lower charge, and is calculated as an amount equivalent to the income tax and surtax applicable to the top slice of an individual's income,

as if assessed under Case VI of Schedule D, on half the gains up to £5,000, or, if the gains exceed £5,000, on £2,500 plus the excess over £5,000. Gains assessed in this way do not have the nature of income and the liability is one of capital gains tax. Accordingly, losses other than long-term capital losses cannot be offset, nor can unabsorbed charges. In computing the liability, personal reliefs, other than life assurance relief, can be taken into consideration if not already absorbed. The alternative basis does not apply to a gain arising on the disposal of an asset acquired from a connected person within the previous two years, except as a legatee.

44. Net losses can only be offset against long-term gains in subsequent fiscal years, except on or following death when carrying back of losses over three years is allowed. An individual's losses, unrelieved after the notional disposal on death, cannot be carried forward.

45. Individuals, who are not domiciled in the United Kingdom but whose 'resident' status renders them liable to the short- or long-term tax, are not assessed to gains arising outside the United Kingdom except when remittances are made in respect of those gains. No losses are allowed on such transactions.

46. A legatee under a will takes assets as acquired by personal representatives with no right to any of their losses. An individual becoming absolutely entitled under a trust takes assets as then valued with a right to the trustees' unutilized long-term losses, but with a potential liability to long-term tax assessed on but unpaid by the trustees. No short-term gain arises on the disposal of assets acquired from personal representatives, but it could apply when a beneficiary absolutely entitled disposes of an asset within the time limit of the trustees' acquisition.

Husband and wife

47. Where a married woman lives with her husband in a year of assessment, their gains and losses for the same tax are merged and one assessment made on the husband, subject to election for separate assessment, which may be given by either spouse within certain time limits:

Short-term tax (as part of election applicable to all income).

Income tax . . . before July 6th in the year of assessment.

Surtax . . . before July 6th following the year of assessment.

Long-term tax . . . before July 6th following the year of assessment.

An election once made remains for subsequent years of assessment unless withdrawn by notice within the above time limits.

48. Losses include those unrelieved from previous years which, where an election is given, will be allocated to the spouse concerned. For the long-term tax one spouse can make a separate election to prevent losses, accruing to that spouse in a year of assessment, from being set off against gains of the other spouse. This election must be made each year before July 6th following the year of assessment.

49. Assets transferred between a husband and wife do not occasion a disposal and the spouse takes as originally acquired. This does not apply where the asset was or becomes trading stock of the other spouse, or where for long-term tax the death of one spouse occasions a disposal.

50. For the special rules relating to private residences a husband and wife are treated as one and there is common duration of ownership even if death intervenes.

Exempt assets

51. In addition to those assets which are specified as exempt for all persons, some are exempt for individuals only. These include:

- (1) Foreign currency for personal expenditure abroad, including maintenance of foreign residence.
- (2) Sums received for personal or professional injury.
- (3) Gifts totalling in value not more than £100 in a year of assessment.
- (4) Private residences, subject to special rules.

Gifts

52. When making a gift or settlement of any assets, including cash, an individual has in the past been mainly concerned with parting with his interest and staying alive for five years if estate duty was to be avoided, unless the gift was in consideration of marriage, was normal expenditure, or did not exceed £500 to any one recipient.

53. Now any gift, except of cash or a chattel not exceeding £1,000 in value, is the occasion of a disposal attracting either short- or long-term tax. Exemption is allowed from both taxes if the total value of chargeable assets given away by an individual in a year of assessment does not exceed £100. Gifts totalling £101 or more will nullify any exemption. When making a gift, and even when accepting one, it is advisable to have in mind the donor-donee rules (paragraphs 35-40) and those relating to gifts *inter vivos* (paragraphs 66-70).

Private residences

54. There are a number of restrictions which have to be watched if an individual's private residence is to be wholly exempt. For both the short- and long-term tax the house must be the individual's only or main residence, the garden occupied by the owner must not in normal circumstances exceed one acre and the original acquisition of the house must be for residing in it and not for realizing a gain on its sale.

55. For the long-term tax any restrictions apply only to the period after April 6th, 1965. There is complete exemption where the house is owner-occupied throughout the whole period of ownership and the rule that the house must be the only or main residence is waived for the last twelve months to allow the owner time to sell. If any part of the house has been used exclusively for business purposes that proportion will not be exempt.

FA 1962
9th sch
p6(1)
FA 1965
sch 7 p20
sch 6 p30

s29(8)

FA 1965
s17(4)
s27(5)

s27(8)

s17(6)
s27(2)

FA 1962
s11(3)(7)
FA 1965
s29

s20(4)

FA 1962
s10(6)
s16(2)
FA 1965
s20(7)
s45(6)

FA 1965
s24(7)

s25(3)

s25(8)
s25(9)

FA 1962
s12(8)
9th sch
p4(2)

ITA 1952
s354-361
FA 1965
sch 10
p3

FA 1962
s11(3)(7)
FA 1965
s29

FA 1965
s20(5)

FA 1967
sch 13
p1

56. Where the house has not been owner-occupied throughout the whole period of ownership, the exempt part of the chargeable gain is restricted to the fraction which the period of owner-occupation bears to the period of ownership, both periods applying only from April 6th, 1965. Certain periods of absence, grouped into three categories, can be included as owner-occupation, provided the individual has no other qualifying residence:

- (1) Any period where, through employment, the individual is forced to live outside the United Kingdom.
- (2) Any period or periods not exceeding in total more than four years, when an individual is prevented from living in the house because his employment requires him to live elsewhere.
- (3) Any other period or periods not exceeding in total more than three years.

To qualify, the house must at some time both before and after these periods be the owner's only or main residence. If an individual buys a house and is required to move as a result of his employment, he ought to arrange an initial period of 'residence'. If the three- and four-year periods referred to above are exceeded by one day the whole of that category is eliminated from qualifying.

57. A second house owned by an individual and occupied rent-free by a dependent relative may also qualify. Exemption for more than one house cannot otherwise be claimed but an individual can elect which house is his main residence for any period, within two years of the beginning of the period.

Transfer of business on retirement

58. Certain relief from long-term tax is granted to an individual, who, when over the age of 60, disposes by sale or gift of the whole or part of a business he owned for ten years prior to disposal, or of shares in a family trading company, which had existed as such for ten years and throughout which he was a full-time working director. This will normally occur on retirement but not necessarily so. The gain on chargeable business assets is subject to relief at the rate of £2,000 for every year by which the individual's age exceeds 60, with a maximum of £10,000 at the age of 65. Relief under this provision in excess of £5,000 limits the £5,000 relief on death.

59. If the family trading company is wound up, the gain on the capital distributions received, so far as they represent chargeable business assets, is subject to similar relief, excluding any business assets distributed *in specie*.

Personal representatives

Estate of the deceased

60. Personal representatives have first to concern themselves with the estate of the deceased.

61. For the short-term tax death is not the occasion of a disposal and the only question is whether any liability arises on the deceased's transactions before death.

FA 1965
s24(1)

s26(3)

s26(4)

sch 6
p16
FA 1966
sch 10
p5

FA 1965
s24(2)

s34(4)

s25(5)

s24(3)(4)

FA 1965
s26(1)

s24(5)

62. For the long-term tax all the deceased's assets of which he is competent to dispose are deemed to be disposed of and acquired by the personal representatives or other person on whom they devolve at market value.

63. Valuations are required of all the assets and the basis of valuation is normally the same for capital gains tax as for estate duty. An exception is in respect of shares in controlled companies, which have to be taken at market value for capital gains tax but are still required to be valued for estate duty on an assets basis under section 55 of the Finance Act 1940. Certain testamentary expenses not allowed for estate duty can be treated as costs of disposal for capital gains tax. These include expenses of valuation, sale or transfer.

64. The net gains, including those accruing from *donationes mortis causa*, are only chargeable in excess of £5,000, but this limit is reduced by the extent to which relief has previously been given in excess of £5,000 on the transfer of business assets on retirement. If the limit is not reached, the unused part is available to the trustees of settled property having a deemed disposal as the result of the deceased's death.

65. The chargeable gains or losses are then merged with those in the year of assessment of death and, if the net result produces a gain, it will, after utilizing losses brought forward, be assessed at 30 per cent or on the alternative basis for an individual, and the tax will be a liability of the estate for estate duty. If the net result produces a loss, it cannot be carried forward but may be offset against the deceased's chargeable long-term gains of the three preceding years of assessment, taking the latest year first, and the tax so repayable will be as asset of the estate for estate duty.

Gifts inter vivos

66. Personal representatives need to examine the position regarding the deceased's gifts *inter vivos*. For estate duty purposes such gifts, which will normally be those made within the five years before death, are valued and aggregated with the free estate to establish the rate of duty applicable to the deceased's estate. It is, however, a donee who has to pay the estate duty on the value of a gift.

67. The value of a gift is taken as at the date of death where the property in the gift still exists in its original or substituted form and is owned by the donee or his personal representatives.

68. The property in the gift may have been disposed of before the donor's death and a short- or long-term gain involved. The value for estate duty on the donor's death is then taken as at the time of disposal, deducting therefrom any long- but not short-term tax applicable on that disposal.

69. The net value as ascertained in these ways can then be reduced by 15, 30 or 60 per cent if the donor's death occurs within the third, fourth or fifth year respectively after the date of the gift.

70. Property held at the donor's death may have appreciated in value since the gift was made and any estate duty applicable to this increase can then be

FA 1965
s34

FA 1966
sch 10
p2

FA 1966
s42

treated as allowable expenditure on a subsequent disposal.

Administration

71. During the period of administration personal representatives must be careful to plan disposals within each year of assessment, to avoid particularly the early incidence of gains against which subsequent losses cannot be offset. They must also bear in mind that any unrelieved losses die at the end of the period of administration. There may, unless the will debars it, be an advantage in appropriating assets to legatees *in specie*. This could also apply, to avoid a gain, where the residuary legatee is a charity.

72. The short-term tax only applies where the personal representatives acquire assets, other than from the deceased's estate, and dispose of them within the time limit to persons other than legatees. Any liability is assessed under Case VII of Schedule D on a current fiscal year basis.

73. The long-term tax is levied on the disposal of any assets, whether of the deceased or as subsequently acquired, to persons other than legatees. Chargeable gains are assessed on a current fiscal year basis and charged at 30 per cent and can only be offset against losses in the same fiscal year or earlier fiscal year after the date of death. If there are any unrelieved losses of the personal representatives in the fiscal years involved in the period of three years from the date of death, they can be offset against chargeable gains of the deceased in the year of assessment of death or in the three preceding years of assessment, taking the latest year first. Estate duty may be affected and, even if there are no chargeable gains on the free estate because the £5,000 limit has not been reached, the balance available against any settled property may need revision.

74. On completion of the administration, which should be formally determined, the assets pass either to residuary legatees or to trustees, and they acquire such assets at either the value at the date of death or as subsequently acquired by the personal representatives, subject to adjustments for all transfer costs. Variations made by a deed of family arrangement within two years of death can take the place of dispositions made by the will.

Trustees

75. Trustees may be nominees or 'bare trustees' acting on behalf of another person with an absolute interest and in these cases all the rules apply as they would to that person. The following considerations apply to trustees of settlements where they acquire assets initially by gift from a settlor or from a deceased's estate.

76. The short-term tax applies on a current fiscal year basis when the trustees acquire an asset, other than from a deceased, and dispose of it within the time limit. An asset settled by gift may be affected by the donor-donee rules (paragraphs 35-40). There is no disposal to a beneficiary absolutely entitled and he acquires an asset at the date and value as acquired by trustees but this could give rise to a liability if the

beneficiary's disposal is within the time limit of the trustees' acquisition.

77. Trustees are assessed to long-term tax on a current fiscal year basis at 30 per cent and gains can only be offset against losses in the same fiscal year or against those incurred by them in earlier fiscal years.

78. Long-term disposals arise in the following circumstances:

- (1) When an asset is sold. A private residence is an exempt asset, as for an individual, if it is the only or main residence of a beneficiary entitled to occupy it under the terms of the trust.
- (2) When a person becomes absolutely entitled to any part of the settled property, all the assets to which he is entitled are deemed to be disposed of at market value and re-acquired by the trustees as nominees for the beneficiary. The trustees must therefore make full provision for the long-term tax payable before distributing the assets. If, subsequently, a beneficiary disposes of an asset within the time limit of the trustees' acquisition and so becomes liable to the short-term tax, this takes out of long-term tax the trustees' disposal. The beneficiary acquires the benefit of any unrelieved losses accruing to the trustees in respect of the property involved but, if tax assessed on the trustees is not paid within six months of the date payable, the beneficiary may within two years of that date be assessed and charged, as the trustees were, on the assets he acquires.
- (3) When a life interest in possession in any part of settled property terminates, all the assets of the trust, other than those which pass to a beneficiary absolutely entitled and are dealt with separately, are deemed to be disposed of at market value and re-acquired by the trustees in the same capacity. An advancement is not a termination of a life interest. A life interest includes a right, during the life or lives of persons other than the person entitled to the right, to income or use of settled property. It does not include a discretionary right nor an annuity, unless there is a separate annuity fund.

After the termination of the first life interest, there cannot be another notional disposal until an interval of at least fifteen years has elapsed. If therefore a second life interest terminates within fifteen years of the first, the occasion is deferred until the end of that fifteen-year period. Estate duty arises on the value of settled property on such occasions as the death of a life tenant. The capital gains tax on any notional gains is allowed as a liability against the value of the settled property. If the £5,000 of net gains allowed against the free estate of the deceased has not been fully absorbed, any balance is available against the notional gains of the settled property.

If the death of a life-tenant, although giving rise to estate duty, falls into the fifteen-year interval and the notional disposal for capital gains tax is deferred, a deduction from the value of the property for estate duty is allowed, cal-

FA 1965
s29(9)

s25(3)

sch 6
p3(3)

FA 1965
s25(8)

s25(9)

FA 1965
s25(4)

FA 1966
sch 10
p1
FA 1965
s25(10)

FA 1966
sch 10
p1(4)

FA 1965
s25(6)

FA 1965
s26(2)

s25(5)

s26(9)

FA 1962
s12(7)

FA 1965
s24(7)

s24(8)

s24(7)

sch 6
p16
s24(11)

culated as if a deemed disposal had taken place on the death, discounted at 5 per cent per annum from the date of that death to the end of the fifteen-year period.

- (4) When there is a period of more than fifteen years throughout which there is no life interest in possession, e.g. in a discretionary trust, there is a deemed disposal after the first fifteen years and after each succeeding period of fifteen years. Trusts subsisting at April 6th, 1965, are first subject to this on the first fifteenth anniversary of the settlement which falls after April 6th, 1967. Trusts for educational, cultural or recreational purposes are exempt.

79. Where an original beneficiary disposes of an interest under a settlement (e.g. an annuity or life interest or reversion thereto) no chargeable gain accrues on the disposal. A purchaser of such an interest will, however, have a chargeable disposal when the reversion falls in. This is quite distinct from the chargeable disposal which may fall on the trustees of the settlement at the same time.

Companies

80. The short-term tax ceases to apply to companies on acquisitions and disposals after April 6th, 1965, but certain transitional arrangements follow for acquisitions up to April 6th, 1965:

- (1) The short-term rules apply to any disposals within the old time limits.

This might include land disposed of up to April 6th, 1968, and the effect is that the whole of a gain is taxable and not just the proportion after April 6th, 1965.

- (2) Any unrelieved short-term losses may be offset against future long-term gains.

81. The long-term tax follows the rules applicable to other persons but chargeable gains are included in profits and assessed to corporation tax by reference to accounting periods.

82. A company includes an unincorporated association such as a club. It also includes unit trusts and investment trusts and, if these are of an approved type which includes most quoted trusts, capital gains tax is assessed at the rate applicable to individuals and the net gains of an accounting period are apportioned to those holders who are entitled to the first dividend after the end of the period. The amount apportioned to a holder is treated as an additional cost of his holding.

83. Net losses can only be offset against gains in subsequent accounting periods but a trading loss can be offset against profits, which include capital gains, of the same accounting period or the preceding accounting period of the same length. A trading loss carried forward to a succeeding accounting period can only be offset against trading income. A similar limitation applies where a terminal trading loss is spread back over the previous three years.

84. In a group of United Kingdom resident companies, where the holding company owns at least 75 per cent of the voting control in the subsidiaries, a transfer

of an asset within the group is not a disposal and, if outside the group, a gain or loss is calculated in relation to the original acquisition by the group. This rule does not apply on the disposal of a debt or when shares are redeemed and the rules for appropriating to or from trading stock apply as for separate persons.

85. If tax assessed on a company in a group is not paid within six months of the date payable it may be assessed within two years of that date:

- (1) the holding company of the group when the gain accrued, or
- (2) any other company which was in the group in the two years prior to that date and owned the asset at any time.

86. In a trading group capital gains are likely to arise mostly in respect of land and buildings and it may be found that a gain has been made on one member company while losses are available in other member companies. To counteract this, an asset can be moved before disposal, but this requires exceptional watchfulness. There could be advantage in holding group properties in one company so that gains and losses can be automatically offset.

87. The 1965 legislation segregated the taxation of a company from that of its shareholders. This is an important principle and its implications need watching for capital gains tax. A company might make a substantial profit on the sale of its main asset and have a chargeable gain. This profit could have a material effect on the value of the shares and a holder could also have a chargeable gain on a sale of shares or on liquidation. This principle applies similarly to a holding of shares in a subsidiary company and, although this is an asset which can be moved without disposal within a group, capital gains tax could arise if the company is wound up. Retained profits accumulated in a subsidiary since acquisition might reflect the increase in value of a holding and, if liquidation is contemplated, it may be desirable to distribute these profits to the holding company.

88. Where assets or liabilities are transferred by a company to its members or to a company by its members care should be taken to ensure that these transactions take place at market value, otherwise any benefit accruing to members may be treated as distributions by the company, with consequent charge to income tax under Schedule F. Transfers within a group of United Kingdom resident companies are now generally exempt from this provision.

89. Where a business is transferred to a company in exchange for shares the assets are treated as originally acquired and the shares at the original acquisition cost of all the assets.

90. Where a close company transfers an asset not at arm's length and at less than market value to any person, the difference between the consideration and market value is allocated to the shareholders to reduce the original cost of their shares.

91. When a surtax direction is made and a shareholder pays surtax on income he does not receive, the amount of the surtax is added to the cost of the shares involved.

(To be continued.)

FA 1965
s25(7)

s25(13)

sch 7
p13

FA 1965
s82(2)

s82(4)

s55

s46(5)

FA 1965
s67,68

s37,38

s58(2)(3)(1)

s59

sch 13

FA 1965
sch 11
p1(2)

FA 1967
sch 11
p3

FA 1965
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p8

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FA 1965
sch 6
p18

The Accounting World

Topics of Professional Interest from Other Countries

CANADA

New President of Canadian Institute

MR R. W. MANNING, F.C.A., a partner in the firm of Winspear, Higgins, Stevenson & Doane, Chartered Accountants, of Charlottetown, Prince Edward Island, was elected President of the Canadian Institute of Chartered Accountants for 1967-68 at the Institute's annual meeting and conference held at the end of last month in Toronto, reported on other pages of this issue.



Born in Falmouth, Nova Scotia, in 1915, Mr Manning was admitted to membership of The Institute of Chartered Accountants of Nova Scotia in 1942, subsequently becoming a member of The Institute of Chartered Accountants of Prince Edward

Island (of which he was President in 1948-49) and The Institute of Chartered Accountants of Quebec. He became a partner in his present firm in 1942.

An active participant in the affairs of the Canadian Institute, Mr Manning was chairman of the Committee on Uniform Regulatory Legislation in 1950-51 and served as chairman of the Committee of Arrangements for the Institute's 1950 annual conference. From 1952 to 1954 he was a member of the Accounting and Auditing Research Committee and from 1954 to 1957 - and again from 1965 to date - a member of the Executive Committee. He was an official Institute delegate at the Ninth International Congress of Accountants held in Paris last month.

UNITED STATES

Accounting as Social Science for Research Grants

DR LAWRENCE L. VANCE, C.P.A., Associate Dean of the University of California Graduate School of Business Administration, would have accounting qualify as a social science for grants in accounting research under the proposed National Social Science Foundation.

In a statement to a Senate Government Operations Committee, he claimed that whenever costs are to be calculated or data from business firms, Government

agencies, or even charitable institutions are to be gathered and interpreted, accounting skills will be needed. Accounting does and must change, he emphasizes, to meet new circumstances and to improve its capacity to measure the economic facts with which it deals. It would help, Professor Vance declared, if it were made clear that the foundation would support research in this applied field of business administration, as well as in the fields of pure science.

Management Auditing

MANAGEMENT AUDITING was the subject of an article by Mr Arthur E. Witte, C.P.A., chairman of the management committee of his accounting firm, in a recent issue of *The Journal of Accountancy*. His firm's clientele, he writes, comprises mainly family-held companies, for which it provides financial and administrative skills by the process known in the profession as 'hand holding'.

In 1961 and again in 1964, the firm arranged with that of a C.P.A. friend for an exchange of audits of the management policies and methods of the two firms. One of the changes in firm concepts which resulted for Mr Witte's firm was the adoption of a growth philosophy incompatible with the 'hand holding' concept, so that it became necessary to standardize forms and codify procedures. In the year of the first audit of a concern the internal control review takes a large part of the total audit time. After that it is a question of following up previous recommendations and testing for any changes, so in the second year the firm recommends that the client have a management control review, and this is the management audit. Its purpose is to identify the management practices or policies requiring improvement. The solution of the problems and their implementation are performed by the company's management or by the audit staff, the firm's management services department, outside consultants or any workable combination. The accounting firm is responsible for recommending how the problem should be solved at the least cost to the client.

Mr Witte states that, since the profession began moving in this direction, it has discovered how specialized were the accounting graduates coming from the universities. They were good junior accountants capable of passing the C.P.A. examinations but, he says, they lacked broad business and economic concepts and were weak in communication skills and unprepared for the new challenge. Mr Witte urges that, by teaching key ideas and basic principles, universities should be able to cover a much broader range of subjects in a four-year curriculum.

Meanwhile, he says that his firm has reversed roles with the universities and, in an intensive three-year programme, now gives the broad general background in auditing, taxes

and management controls. The executive development programme follows in the next two years, still without specialization, with the help of outside lecturers, and seminars conducted by partners. After that, specialization is permitted, but the firm is planning to add a third year to the executive development programme for a refresher course in the social sciences. Mr Witte makes the devastating statement that apparently there is no way today to get education as a generalist in a formal school.

The 'Third Bank'

TO the increasing concern of the United States Government and the banking industry, the so-called 'third banking system' has, due to credit restrictions, grown to gargantuan proportions during the last year. This is the commercial paper market in which corporations borrow and lend enormous sums to one another without approaching a conventional bank or the public.

Mr Harlow G. Unger, commenting in *Canadian Business* on this development, says that this is now the largest corporate borrowing system in the United States. The increase in commercial paper from January to June was \$3,800 million, compared with a gain of \$2,500 million in corporate loans from banks. Commercial paper rates in New York ranged from $4\frac{3}{8}$ per cent to $4\frac{5}{8}$ per cent, while the prime rates at commercial banks, for the most credit-worthy companies, have been $5\frac{1}{2}$ per cent – on condition that a 'compensating balance', about 20 per cent of the face value of the loan, is kept at the bank free of interest. This makes the effective prime rate of the bank more than $6\frac{1}{2}$ per cent.

The banks are said to be considering abandoning the compensating balance system, but Mr Unger doubts if this is enough. He says the Federal Reserve Board fears inadequate controls – a wave of defaults could have dire consequences for the entire economy and the monetary system. Also the Justice Department fears possible anti-trust violations and the possibilities of collusion. There is, as yet, however, no evidence of anything illegal.

Pooling Accumulated Profits

THE Accounting Principles Board of the American Institute of Certified Public Accountants, notes Professor Abraham J. Briloff, C.P.A., of the Bernard Baruch School of Business and Public Administration, in a recent issue of *Accounting Review*, has decided to perpetuate its approval of the pooling of interests concept, by which companies which merge with virtually no change in joint ownership are allowed to pool their accumulated profits. Thus, he declares, the process of shareholder delusion through share dilution continues unabated, presumably with the specific approval and probably the guidance of the independent auditors for the acquiring entity; also with the direct knowledge and consent of the Securities and Exchange Commission and the committees on stocklisting for the several exchanges, including the New York Stock Exchange.

Professor Briloff gives a brilliant analysis of two recent business poolings to show the distorting effect on the *pro forma* pooled profits and earnings per share, of accounting for the assets of the acquired company at book value, regardless of the values which determined the purchase price. For him the gnawing question remains whether a

large sum dearly paid for by the acquiring shareholders but suppressed in the accounts should be allowed to appear as a feather in management's cap when it is gradually revealed in profits on realization. He would like an end to all the curtsying and pirouetting around generally accepted accounting principles.

AUSTRALIA

Talks on Integration of Accountancy Bodies

IT is interesting to note that preliminary talks are now taking place between representatives of The Institute of Chartered Accountants in Australia and The Australian Society of Accountants on the possibilities of integrating the two bodies.

Acting under the authority of the General Councils of the Institute and the Society, the representatives are exploring ways and means of achieving unity in the interests of the profession in Australia and also in the public interest.

In a brief statement announcing the talks, sent to members over the signatures of Mr A. B. Cleland, F.C.A., President of the Institute, and Mr H. R. Irving, F.A.S.A., President of the Society, it is noted that members may expect further information as the discussions progress.

New Registrar for Australian Institute

MR H. M. L. HORDERN has been appointed as General Registrar of The Institute of Chartered Accountants in Australia in succession to Mr S. J. T. Walton, who will retire from that position early next year.

A chartered accountant and a chartered secretary with extensive administrative experience, Mr Hordern will be relinquishing his present appointment as Assistant Registrar of the University of Tasmania to take up his new appointment with the Institute in Sydney next February.

Mr Walton, the retiring Registrar, first joined the Institute's administration as Assistant Registrar in 1936 and was appointed General Registrar in 1937. In all he has given thirty-one years' service to the Institute and to the accountancy profession in Australia. It is anticipated that Mr Walton will retain his connection with the Institute for some time after the new General Registrar takes up his duties.

JAMAICA

Decimal Currency to be Introduced

SEPTEMBER 1969 will see the introduction in Jamaica of decimal currency. The Minister of Finance and Planning announced recently that four decimal systems have been proposed by the Bank of Jamaica, and the Government will decide which system is to be adopted. The name of the new monetary unit and its symbols are to be selected by means of an open competition throughout the country.

Preliminary estimates place the cost of conversion at about £1.9 million (\$5.3 million) to the private sector and £0.5 million to the central Government. The Minister thought that two years should be sufficient time in which to familiarize the public with the new decimal system and to prepare for conversion.

Correspondence

Setting up in practice

SIR, -

You seek them here, you seek them there,
You seek those clients everywhere;
Be they in church, or club, or inn
You quietly try to draw them in.

Success is often hard to win,
To 'poach another's' is a sin;
You mustn't advertise your name
But hope your knowledge will bring fame.

You ask if one would start again;
I'm sure I would with this refrain -
The finest friends I found I'd got
Were those who paid me on the spot!

How long it takes to make the lolly
Depends on skill, some luck, no folly.
The more you want of egg and bacon
Determines one's remuneration.

Pitfalls many can be yours;
Back duty cases can be sores.
Inspectors' queries oft cause pain;
Some clients nearly go insane.

Keep clear of debt, I wish you well
Expressed in words of doggerel;
And when success proves you're no Noddy
You surely won't be a Dogsboddy*.

Yours faithfully,

BARTIE.

* Reference Correspondence, September 30th issue, page 433.

Investment grant problems

SIR, - I refer to the letter from Mr Kenneth Hayes in your issue of September 30th.

It may be helpful to your readers to have the full text of a note (which I am enclosing) which the C.B.I., prepared as a guide for its members to this vexed question of eligibility for grant where the purchaser of an article bears part or the whole of the cost of a tool used in the manufacture of the article; this note was approved by the Board of Trade. The

last paragraph deals with the difficulty experienced by your correspondent, and if he can bring himself within the terms of it his difficulty should be at an end.

Yours faithfully,

DOUGLAS TAYLOR,
Deputy Director-General and Economic Director,
CONFEDERATION OF BRITISH INDUSTRY.

London SW1.

INVESTMENT GRANTS AND TOOLING COSTS

Difficulty is still being experienced in determining whether grant is payable on the cost of a tool used for the manufacture of an article where the purchaser of the article bears part or the whole of the cost of the tool.

No difficulty normally arises where the manufacturer of the article bears the cost of the tool, even though its cost is passed on to the purchaser as one of the elements in the price of the article. In such a case the manufacturer is entitled to a grant for the tool, and the purchaser, where the article is for use in a qualifying process, can claim grant on the cost to him of the article.

A different situation arises where the purchaser of the article provides the tool for the use of the manufacturer, so that the ownership of the tool resides in the purchaser. In such a case, the manufacturer would not be able to claim grant on the tool as he is not the owner of it; neither would the purchaser be able to claim grant as the tool is not being used in his business.

In such circumstances the Board of Trade will allow grant on the tool to be paid to the purchaser of the article if he leases the tool to the manufacturer of the article, in accordance with the provisions of section 4 (2) of the Act.

Further, the Board are not concerned with the method of financing employed by the manufacturer of the article, so that, where the manufacturer of the article buys the tool for his own use, reimbursement of its cost by the purchaser of the article would not invalidate the grant or cause it to be repayable so long as it is agreed between the manufacturer and purchaser of the article that the ownership of the tool remains with the manufacturer.

God and profit

SIR, - I have just seen Miss Vanes's interesting article on Sixteenth-century Accounting (September 16th issue). I wonder whether she is right in claiming that 'God and profit were already beginning to part company' in the middle of the sixteenth century, in that merchants were ceasing to invoke the Almighty in their account books. Ruinart of Rheims, for instance, the oldest firm in the champagne industry, still have a large ledger for the period beginning September 1st, 1729, which opens with the words *Au nom de Dieu et de la Sainte Vierge*.

Yours faithfully,

HENRY G. BUTTON,
BUSINESS ARCHIVES COUNCIL.

London EC4.

Treatment of losses

SIR, - I was most intrigued to read the letter from Mr Mistry in your September 23rd issue. One sentence represents the crux of his thinking:

'in the context of the present economic situation where productivity, efficiency and incentives are all important, it is silly to tax profits at high rates and let the losses go scot-free'.

If this is correct (which I do not accept) then it would seem

logical to tax losses and to make allowances for profits. Following this to a natural conclusion, it would seem that when a company fails and still has to pay tax because it has failed, then the creditors who suffer bad debts should not only have an increase in the bad debt because of the reduction of assets of the debtor company, but should also have the bad debt disallowed because they should not have let it happen.

I suggest that under the new rule the largest contributors to the Treasury purse would be the nationalized industries

which lose hundreds of millions of pounds every year and would thus need larger subsidies than ever to finance both their losses and the tax due thereon. The printing presses at the Mint will work overtime.

I should dearly love to know from Mr Mistry what are the quarters in which tax losses are treated with indifference. I am sure that many clients of mine would like to do business with them.

Manchester.

Yours faithfully,
JACK ROSS.

Canadian Institute's Annual Conference

by RENNY ENGLEBERT, Editor of *The Canadian Chartered Accountant*

A SECTION of Toronto's Royal York Hotel resembled a smaller edition of the recently concluded Ninth International Congress of Accountants as Canada's chartered accountants and a distinguished group of overseas visitors gathered there from September 24th to 27th, for the sixty-fifth annual meeting and conference of the Canadian Institute of Chartered Accountants. Over one thousand members and their wives were registered, and among the distinguished guests were Mr W. E. Parker, President, The Institute of Chartered Accountants in England and Wales; Mr A. B. Cleland, President, The Institute of Chartered Accountants in Australia; Mr B. F. Anderson, President, New Zealand Society of Accountants, accompanied by Mr A. W. Graham, Secretary of the Society; Mr Ricardo Mora, jun., President, Instituto Mexicano de Contadores Publicos; Mr A. F. Tempelaar, President, Nederlands Instituut van Register-Accountants, and Sir Ian Bolton, a Past President of The Institute of Chartered Accountants of Scotland. The Australian Society of Accountants was represented by Mr C. W. Andersen, General Registrar. Unfortunately, for the first time in many years, the American Institute of Certified Public Accountants was not represented due to its annual conference in Portland, Oregon, overlapping the date of the Canadian meeting.

The three-day programme, with two plenary sessions, fourteen technical sessions and more than forty speakers, covered a wide range of topics including management information systems; the auditor - his responsibilities and rights; a discussion on the recent report of the special committee on computers; operational auditing services; the use of accounting and auditing technicians; communications; an appraisal of the report of the Royal Commission on Taxation, and motivation and performance.

Behind the corporate curtain

At the first plenary session the Hon. John N. Turner, who was appointed Registrar of Canada earlier this year, gave an address on 'The second Canada: behind the corporate curtain'. Mr Turner said that the passing of corporation control from ownership to management had changed the ground rules of the Canada Corporation Act. 'We must now pierce the corporate curtain and look behind it,' he said.

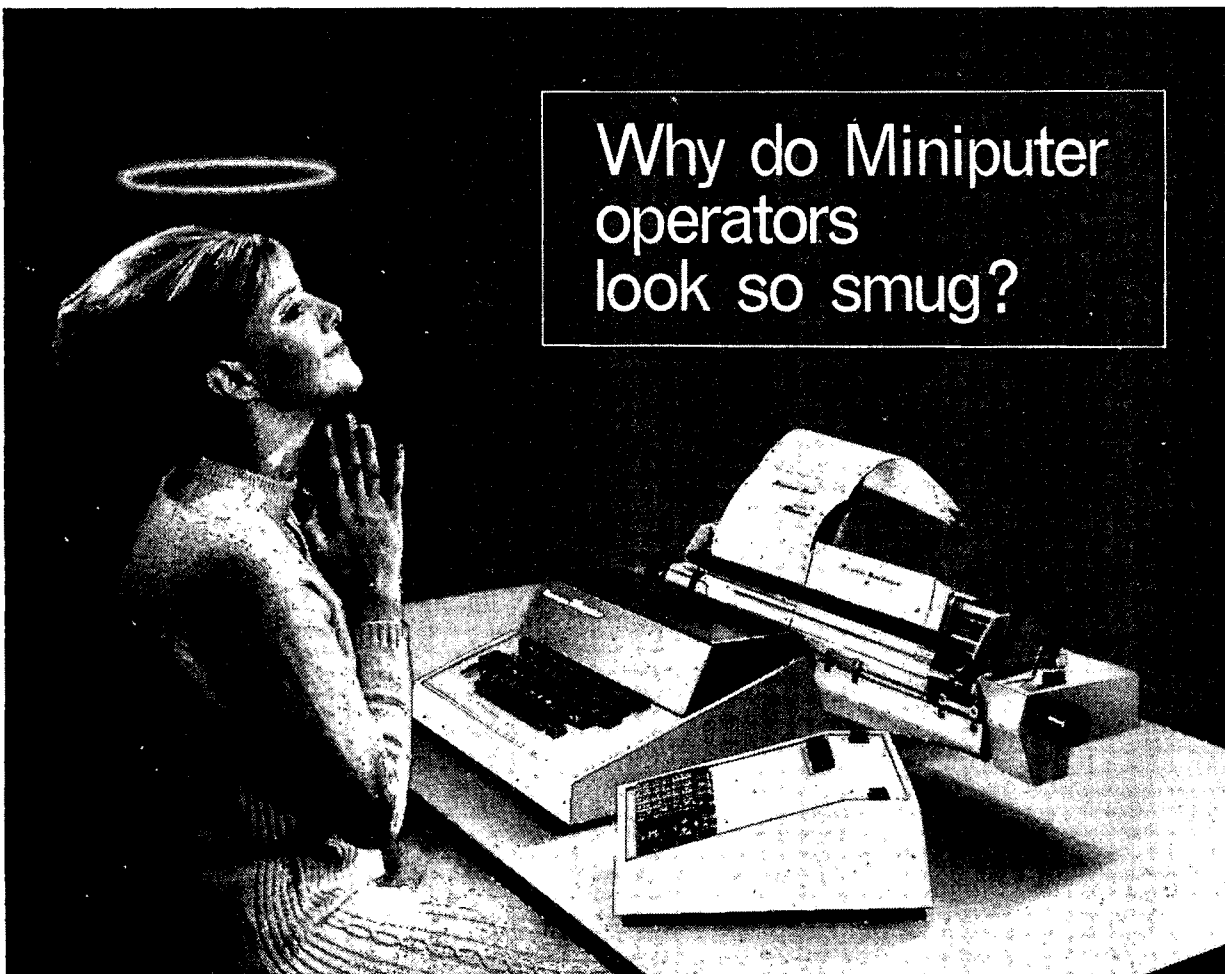
'The investing public must be properly informed and management made subject to reasonable guidelines. Today, one-third of all shares in public companies are held less than six months. A substantial number of shareholders are visitors in transit with no sustained interest in the corporation.'

Mr Turner said that more and more often shareholders were institutions rather than individuals. The burgeoning size of the larger corporations and problems of interlocking directorates raised questions that should be opened for fresh insight and inquiry. 'The new relationships between giant corporations must be examined,' he told the conference.

The nature of the corporation had changed, Mr Turner said. In large part management had become responsible only to itself, so long as a reasonable profit was shown to the investor. Fuller disclosure, he said, and greater responsibility for those closely connected with corporations would enlarge the information and public knowledge of the inner workings of the corporation. 'No longer is the corporate veil sacrosanct,' he maintained. This was a further step in the growing movement in Canada and elsewhere 'to open up our society to fresh ideas and public discussion. This must be the concept that we entrench in the changes we make in our laws governing business organization and enterprise in Canada. The enhancement of investment opportunities, the stimulation of competition, the opening of job opportunities at the highest levels based on ability, must all go hand in hand with the protection of the investing public', Mr Turner stressed.

With these objectives in mind, said Mr Turner, a task force had been formed to make recommendations for the amendment of the Canada Corporation Act. 'We intend that the new amendments to the Act will enable it to be applied in concert with, rather than in isolation from, the economic policies of the Government', he said. Problems of mergers, insider trading, minority shareholder rights, the form of incorporation, proxy solicitation and the duties of directors and auditors were being considered.

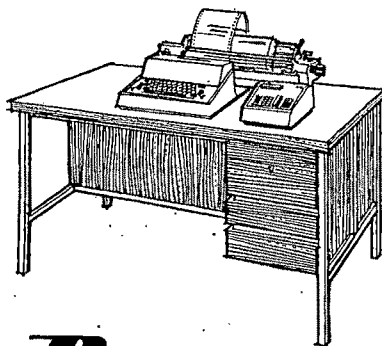
As these recommendations were prepared, they were being reviewed by an inter-departmental committee of Government officials so that they would be consistent with the policy objectives of all the competent departments and



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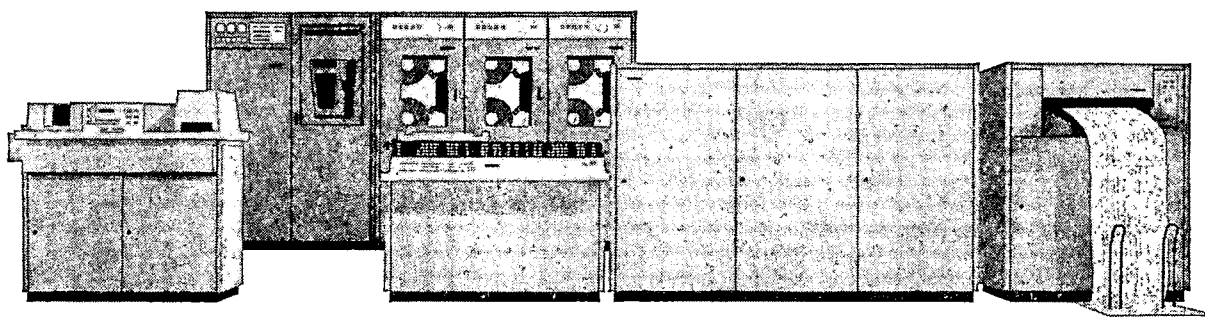
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would benefit from their expertise. The recommendations would be reviewed by lawyers and accountants from across the country, and leading business men would be asked for their views.

Referring to the computer, Mr Turner stated that this was now a vital feature in the financial world as it was in the world of production. Instant financial statements were not too far away. New computers already on the drawing boards had the capacity to store, retrieve and calculate a summarized corporate balance sheet and earnings statement every day. The investor and manager would no longer need to wait until the end of the calendar year to find out how their company was doing. Inventory checks could become instantaneous. Auditors as well as management would be under closer and more immediate scrutiny.

All these developments, said Mr Turner, would change the accountant's professional role. 'It is time to re-examine not only the new skills you will need but the new responsibilities the public will impose on you.'

'You have, in the semantics of today, a special status. You must now serve not one master but three: the corporate management, the shareholder, and the investing public. You must seek to be professionals for the people. You must go beyond the minimum standards set down by statute. Your duty to instil confidence in our business enterprise will contribute to a better and more efficient use of our productive resources', said Mr Turner.

President's address

Mr Turner's address was followed by the annual general meeting presided over by Mr J. R. M. Wilson, F.C.A., President of the Institute, who, in his address, said that while it was unpleasant for the profession to have its shortcomings recognized in public – particularly when criticism was unjustified – nevertheless could derive some beneficial by-products or reactions from this. In the first place, it had spurred the profession in Canada to enforce more stringently than ever before its disciplinary procedures, place greater emphasis on accounting and auditing research and raise educational standards. Secondly, it had focused attention on the accountant's role when it was properly performed in the business community and, most important, it had made the public aware of the inability of the investment business to function without strong independent auditors. 'The Institute has not panicked because of public interest in our profession and its shortcomings', said Mr Wilson. 'On the contrary, we have accepted the challenge and taken some actions in our own interests and in the interests of society.'

Mr Wilson went on to review what had been done recently in Canada to improve individual competence and make the profession better known to the public. He referred to the launching of an in-depth course in taxation which was oversubscribed this year, a study, at substantial cost, of the need for in-depth courses in management, an expanded continuing education seminar programme and a recently completed special study on the impact of computers on the accounting profession. He mentioned also a new recruitment film – 'Men of Account' – which it is hoped will be seen by several million people over the next year.

In the area of responsibility as auditors, Mr Wilson said that a special committee had been appointed to study this subject and that by late autumn they hoped to be in a position to advise members as to what they should be doing as auditors of companies under various circumstances and

whether further changes in legislation were necessary to ensure that the accountant's responsibility was clearly defined. Mr Wilson concluded his remarks by urging the profession to keep moving ahead so that it would be better able to meet the needs of the public and maintain its reputation for integrity and independence.

'Internationality' of the profession

Mr Wilson was preceded by Mr W. E. Parker, President of the English Institute, and the Presidents of the New Zealand Society of Accountants and the Mexican Institute of Public Accountants who brought greetings from their respective hemispheres. Mr Andersen, of New Zealand, noted that the Fifth Conference of Asian and Pacific Accountants is to be held in New Zealand next February and Señor Mora referred to the ever increasing contacts between the Canadian and Mexican Institutes and in particular to the fact that Mr Randolph Manning, the incoming Canadian President, would be attending the fiftieth anniversary celebrations of the Mexican Institute in Mexico in October.

In the course of his remarks, Mr Parker said:

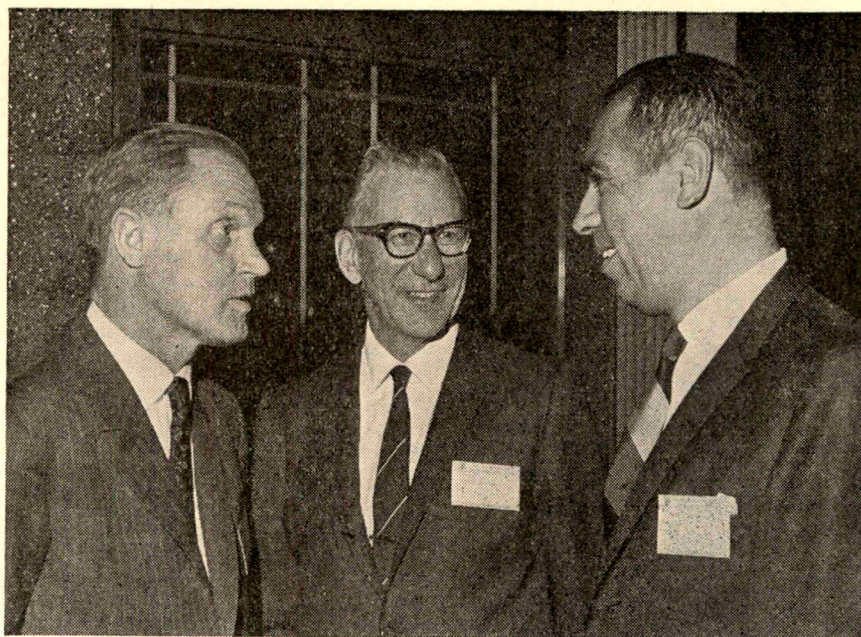
'The Institutes of Chartered Accountants in the British Isles attach the greatest importance to the "internationality" of the accountancy profession – an internationality and professional brotherhood which cut right across all boundaries of race, of geography and of politics. This can be a powerful force for the promotion not only of understanding in professional accounting matters but of general understanding by the peoples of different nations. In that context the Institutes in Britain especially welcomed the enlivening of their close and long-standing ties with the Canadian Institute as evidenced by these exchanges of visits and by participation in the International Study Group recently formed in conjunction with the Institute in the United States.'

Mr Parker went on to refer to the main problems confronting the accountancy profession in Britain. They were how best to secure sustained excellence in professional standards and maintain and improve the status of the accountancy profession in the eyes of the general public. It was thought, said Mr Parker, that solutions to these two problems lie in:

- (a) simplifying the structure of the accountancy profession in the British Isles so that the public would not be confused by the considerable number of professional accountancy qualifications and the variety of standards and techniques which those qualifications represented;
- (b) raising the standards of general education and technical training and experience which should be required for attainment of the basic general professional qualification;
- (c) developing additional post-qualification education and training with due regard to the necessity for increasing specialism even in subjects for which in the past a basic general qualification had been thought to suffice.

Mr Parker then referred to an outline given at last year's Canadian Institute conference at which Sir Henry Benson spoke of the English Institute's ideas about items (a) and (b). Since then, said Mr Parker, the Joint Committee of the six main professional accountancy bodies (the three Institutes of Chartered Accountants, The Association of Certified and Corporate Accountants, The Institute of Cost and

The newly elected President of the Canadian Institute of Chartered Accountants, Mr Randolph W. Manning, F.C.A. (centre) with Mr A. F. Tempelaar, President of the Netherlands Institute of Register-Accountants (left) and Senor R. Mora, President of the Mexican Institute of Public Accountants.



Works Accountants and The Institute of Municipal Treasurers and Accountants) had been continuing to work out detailed proposals and 'were now approaching the end of that task'. He indicated that as soon as the Councils of the six bodies had approved the proposals for submission to the respective memberships, the scheme would be made public so that there could be free and ample discussion of it in preparation for meetings to decide whether the proposals were, in principle, acceptable. He pointed out that pending publication of the proposals it would be inappropriate to add to what Sir Henry Benson had said when addressing the conference a year ago.

Mr Parker made it clear that nothing during the Joint Committee's deliberations of the past year had led any of the representatives of the participating bodies to change their view that, if the educational and technical standards for the basic general qualification were to be raised significantly, it would be essential to provide within the scheme some form of junior qualification for those men and women who, though unable to reach the standards for the main qualification, were nevertheless likely to be able to give valuable service to the community on aspects of accounting for which more modest educational and technical standards would suffice.

Treasurer's report

In presenting the treasurer's report, Mr W. I. Hetherington, of Toronto, said that after a loss last year of \$27,300 he was pleased to report a surplus for the year ended April 30th, 1967, of \$41,900 – a result which was due in no small part to the co-operation of provincial Institutes in the matter of fees. He cautioned members, however, not to become too optimistic about the present financial picture. 'Compacency', he said, 'has ruined many an organization and it must not be permitted to creep into our relationship.' Gross expenditures in 1966-67 totalled nearly \$900,000, an increase of \$125,000 over those in 1965-66. The figure for the current year was likely to be well over the million dollar mark. In 1965-66, \$50,000 was spent on research and in the past year these expenses increased to \$75,000. Because there was a public responsibility to do even more

research, \$125,000 had been provided in 1967-68 for this important activity.

A significant by-law was approved at the meeting. As a result, beginning in 1969, the Canadian Institute President will be nominated by a national committee instead of being appointed by one of the ten provincial Institutes of Chartered Accountants on a rotational basis. This will ensure the best man being selected for the position regardless of his place of residence.

At the members' luncheon following the annual general meeting, the conference was addressed by Mr Michael Barkway, publisher and editor of *The Financial Times of Canada*. Mr Barkway predicted that the next ten years were going to be very painful for anybody who resented change and quite agonizing for anybody who was ever tempted to say that what was good enough for his father was good enough for him. 'In politics, theology, economics – and certainly in business – the former things are passing away.'

Mr Barkway pointed out that there should not be too much distress because the full pattern of the upheaval could not yet be seen. All that could be expected of human beings was for them to recognize the forces of change and try to understand them. 'But what we cannot do is to stand on the orthodox formulae of our youth defending a complicated web of fictions', he said.

Some of the fictions in business cited by the speaker included the idea that a corporation is a personality; that shareholders own and control companies and that an auditor is really responsible to the shareholders. 'It was a very ingenious idea of the lawyers to pretend that a corporation was a person. But I suggest that it was never intended to provide one person with a limitless number of fictitious personalities which can pass the buck endlessly from one to the other: I have a strong presentiment that the ramifications of this fiction will have to be curbed', said Mr Barkway.

In the case of auditors' responsibilities, Mr Barkway said that 'the formal procedure maintains the fiction that auditors are appointed by, and responsible to, the shareholders at large. In fact, they are chosen by the management

and never discuss the company's affairs with anyone except the management'.

He warned the profession that if it was to come to terms with the coming years, some ancient and cherished conventions would have to yield to the needs of the age.

Management information systems

In a paper on 'Management information systems', Mr K. R. Lavery, of P. S. Ross & Partners, Montreal, said that help appeared to be on the way for the executive who was inundated by the current information explosion, but a company that failed to take advantage of new systems developments was soon going to be in difficulties. He emphasized the need for a company's senior management to adopt what are called 'attitudes for success'. This would require thinking in depth about the likely developments in all phases of the business and preparing for them in as many ways as possible. This would include recognition, for example, that the company must operate as an integrated whole rather than as a group of disjointed parts and that new management techniques required management understanding if they were to be used properly. He stressed the need, also, for a formal plan for management information systems in the same way that there was a need for a formal financial plan in a company. This plan should consider in detail the goals to be achieved, the resources available, the allocation of responsibilities and the deadlines to be met. Computer selection techniques, teamed with management adoption of certain concepts and considerations, would bail management out of its information explosion problem.

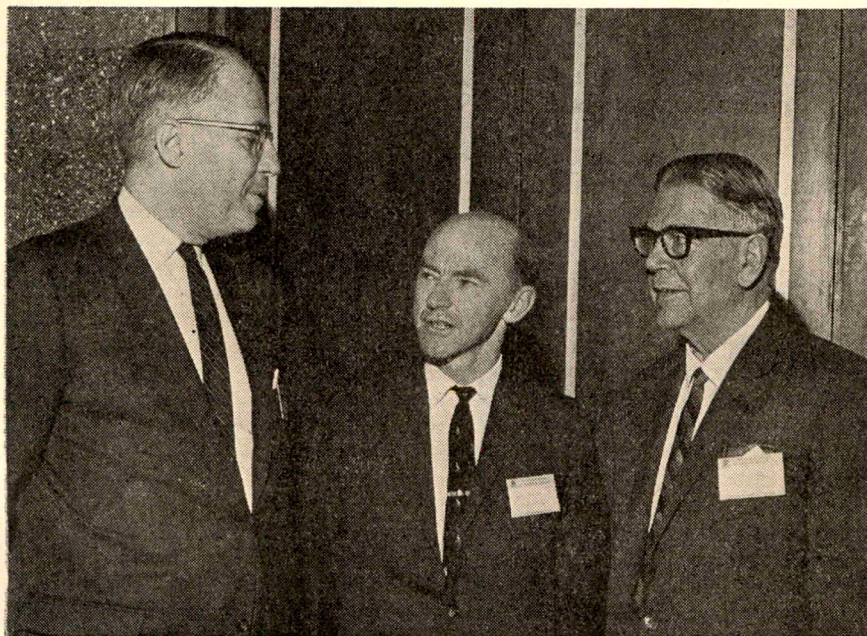
This paper was followed by a panel discussion in which three chartered accountants — one in public practice, one in industry and one in Government service — called upon their associates in the profession to 'step into the space age' as fully participating members of the management team. 'The "space age" accountant must be literate in mathematics and statistics and be able to communicate with other business professionals; he must have a deep understanding

of the contemporary management process so that he can effectively enter into dialogue with management', said Mr J. H. Harper, of Imperial Oil Ltd, Toronto. Mr Harper pointed out that the planning, development and implementation of management information systems was an inter-disciplinary activity. Accountants worked with mathematicians, engineers, statisticians, operations researchers, computer scientists, economists and behavioural scientists and the common language for these professionals was mathematics and statistics. Failure to act quickly to broaden and deepen his body of knowledge would result in the accountant being a spectator rather than a player in the exciting developments in the era of technology.

Auditor's role

Mr W. A. Bradshaw, of Touche, Ross, Bailey & Smart, of Toronto, told the conference that the chartered accountant, in his capacity as auditor, must also participate in the management process. The independent audit, he said, should have two objectives: firstly, to support a professional opinion on the financial statements for external reporting purposes and, secondly, to support a report to management on the effectiveness of the information system for internal planning and decision-making purposes. 'Although the two are separate, I think they will soon be inseparable', he said. Mr Bradshaw also advocated that C.A.s should become experts in management control systems rather than becoming experts with a detailed knowledge of information handling techniques, although he admitted that this would require much broader knowledge of economics than most chartered accountants had acquired. 'There has been at least one example of a company which was reported to have a well integrated computer system for payroll, general accounting, billing, payment of payables and cost accounting but because it had a totally inadequate management information system its profit performance was steadily deteriorating', said Mr Bradshaw.

The Government representative on the panel, Mr J. A. McDonald, Comptroller of the Post Office in Ottawa,



Mr R. D. Thomas, Executive Director of the Canadian Institute of Chartered Accountants (left) with Mr A. W. Graham, B.Com., F.R.A.N.Z., Secretary of the New Zealand Society of Accountants (centre) and Mr C. W. Andersen, Secretary of the Australian Society of Accountants.

pointed out that qualitative information was now becoming an essential part of information systems along with quantitative information. 'It is not easy to put qualitative information into the mechanical and electronic information equipment at present but I believe that some new analytical techniques being used under the name of operations research will be able to effect this', he said.

Independence and integrity

Defining the concept of independence and understanding the rights and responsibilities of auditors were of unparalleled importance today and were the subjects of a panel discussion at one of three simultaneous sessions on the first afternoon of the conference. The first paper was presented by Mr A. F. Lawrence, Q.C., a member of the Ontario Legislature and chairman of the Government's Select Committee on Company Law. Mr Lawrence pointed out that 'whether we like it or not, public attention and resulting Government legislation is dictating, and will dictate even more in the future, the standards of morality and integrity required of people in the financial and business community'. The common thread running through the fabric of the Select Committee Report, said Mr Lawrence, was the avoidance of a conflict of interest and the separation of duties and responsibilities from any such entangling interests. 'Surely', said Mr Lawrence, 'it is now accepted that the essence of the auditor's function is that he should be completely free from improper pressures and relationships relating to his report, the selection of areas for his tests, the techniques and procedures he wants to use and the managerial policies he wants to examine in the course of the audit?' One of the heartening aspects in this matter had been the realization by the politicians that collectively the auditor's profession had attempted to impose much higher standards of integrity upon its own members than had been required by statute, he said.

Dr R. W. V. Dickerson, a chartered accountant and a member of the British Columbia Bar, and director of a Federal Government task force to examine the Canada Corporation Act, said that independence in an absolute sense was an impossible ideal. 'Even when an accountant is an auditor and nothing more, there may be legitimate doubts as to his independence if, for instance, one client is disproportionately large in his practice. Many accountants begin practice with one fairly sizeable client around which the practice is later built. Can we really say that an accountant in such a position cannot be independent until his practice has grown to the point where the first client is no longer pre-eminent? Dr Dickerson said that in his view it would be undesirable to do anything - either by statute or in the rules of ethics - to prevent auditors from practising in the tax and management consulting fields. 'While I think there is no case for a general prohibition', he said, 'I do think there is a case for disclosure. Those who hire the "watchdog" - the shareholders - surely have a first claim on his loyalty; they are entitled to know if he is also accepting appointments from those whom he is hired to watch and, if the shareholders think fit, to make it a term of employment as auditor that he does not accept such other appointments.' Dr Dickerson said that in the vast majority of cases the shareholders would have no objections to their auditor accepting an appointment from the directors to carry out tax or management consulting work. The point was that this was properly a decision for the shareholders to make.

Another panellist, Mr P. P. Aspinall, of McDonald,

Currie & Co, Montreal, discussed the problem faced by the auditor when expressing an opinion on the financial statements of a small company which the owner-manager dominates. Mr Aspinall pointed out that while there might be - and probably were - limitations to audit procedures which could effectively be performed in certain types of businesses, these limitations had, until now, been accepted as being inherent in the responsibilities which members of the profession assumed.

'We must presume that, up to the present time, the reader of an audit report on the financial statements of a small manager-dominated business should be aware of the fact that the auditor is necessarily relying on management for certain essential information which has necessarily influenced the financial position and operating results', said Mr Aspinall.

Because of the value of audited statements to persons other than the ownership group such as creditors and Governments, both provincial and federal income tax declarations called for the inclusion of complete audited statements and many Government departments were looking to the independent public accountant to provide a measure of protection against improper acts of management, said Mr Aspinall. 'It may well be that we in practice do not see this as a major role. If the shareholders' auditor is disinclined to fulfil his traditional role in this area, it may not be too long before someone else is doing it. It may be that it will be chartered accountants employed by the Government who will carry out their own audits of corporate records. Or it may be that our traditional role will be changed and that the shareholders' auditor will be appointed and remunerated by and report to some Government authority.' Mr Aspinall said these latter suggestions might be thought of as 'far out' in present-day terms but that careful consideration should be given to the possible alternatives before rejecting the *status quo*.

Operational Audits

In an age when accountants were expected to broaden their responsibilities, Mr D. B. Morin, F.C.A., of McDonald, Currie & Co, of Toronto, presented an interesting paper on 'Operational auditing services' in which he urged all practising accountants to offer this service to their clients. He said that the operational audit identified trouble areas in a client's operation which could be improved and required special attention. Unfavourable trends, controllable losses, departures from preferred practices and other signs of deterioration were also highlighted.

'Some C.A.s have been doing informal operational audits for a number of years and their clients have benefited greatly from the results', said Mr Morin. 'The business community now demands more special services from the auditing profession. By performing a complete operational audit, we will remind the business community that we are sensitive to their needs', he said.

Mr Morin pointed out that the normal financial audit was conducted on behalf of the shareholders so that the auditor could express his opinion as to whether management's financial statements presented fairly the company's financial position. The operational audit was concerned with the effectiveness of the organization and its structure, its corporate policies and systems of administrative controls and its systems of internal communication and management information. He said that the financial audit was, in effect, the life-line of the operational audit and that because the

operational audit was essentially an exercise in judgement, it could only be performed by the partner or senior audit personnel who conducted the client's financial audit and who were familiar with the client organization and its people.

Creating a 'technician' group

At one of the last afternoon's three simultaneous sessions, Mr Irving E. Millie, of Peat, Marwick, Mitchell & Co, of Toronto, described the basic problems involved in creating and maintaining a technician group which could fit into public practice. He contended that some technicians would be eager for responsibility, able to direct other staff and use good judgement within the limits of their competence. Others would work effectively only when used on familiar routine tasks and closely supervised on matters that were unusual and unfamiliar. In temperament, said Mr Millie, the technicians of the future would be different from the students of the past and more varied. Students of the past with similar educational backgrounds had a common goal – the C.A. certificate. Most had been socially and professionally ambitious. In contrast, many technicians would be more concerned with security, good salary, interesting work, good working conditions.

The education for technicians should be related to the work they were going to do, said Mr Millie. It was not difficult to think of many of the tasks now done by students which in future might be done by technicians and to list the areas of knowledge utilized in doing those tasks at present. Mr Millie said that across the country post-secondary

institutions for the education of technicians and technologists in many fields were being developed and accountancy was included in all their programmes. The largest source of supply of technicians would come from the graduating classes of the technical colleges and estimates of the number of persons in these institutions ran as high as 65 per cent of the students completing high school. In addition, there would be many mature or experienced persons who had started and failed to complete other programmes, including the profession's own course.

During the conference the Institute's new film 'Men of Account' was shown on numerous occasions and was enthusiastically received by all who saw it. A year and a half in the making, it emphasizes a significant point about the profession that is often overlooked – namely, that while facts and figures play a big part in the life and work of a chartered accountant, people and dealing with people are equally important.

Social programme

Extra curricular needs of those attending the conference, particularly the ladies, were not neglected. These included an opening reception, a sherry party by courtesy of one of Toronto's foremost furriers, a visit to the races and the President's reception, dinner and dance. A special feature of the entertainment was a Kaleidoscope A Go-Go with dancing to non-stop music by two bands, 'psychedelic' lighting, and décor with ceilings and walls splashed with constantly changing colours and abstract patterns.

Finance and Commerce

Photopia

IN times of inflation – and the times seem to be becoming decidedly ripe again – there is much to be said for keeping the falling purchasing power of money in focus when assessing company results. The pounds sterling of ten years ago are not the pounds of today and neither are the pounds of even five years ago. What may seem to be profit growth in money terms need not necessarily be true growth in terms of inflated and devalued currency. It is a thought, incidentally, that currency devaluation merely expresses externally something that has already taken place internally.

But before this column gets side-tracked on that subject it had better direct attention to the matter in hand – the accounts, and more particularly, the statistical information provided in them, of Photopia International Ltd. The

statistical information, as well as providing a detailed five-year record, as the reprint shows, also provides sales and pre-tax and net profits in index terms with 1962 taken as the 100 base.

On that basis the sales and net profits would appear to have risen on a true basis allowing for inflationary effect. But pre-tax profits have not beaten inflation by any particular margin over the five years and neither have pre-tax nor net profits kept pace over the past three years.

Turnover

On the point of the company having appeared 'to have stood still from a profit and dividend point of view for the last three years', the chairman, Mr Charles G. Strasser, comments that this 'should not be taken as a sign that we have ceased our pattern or intention of growth'. Plans for expansion are ready to be put into effect 'at the opportune time'. The board is 'carefully watching for the correct signals to go ahead'.

The year covered by the accounts started off with a 29 per cent increase in turnover in the first three months but at the six months stage the increase had dropped to 19 per cent. At the end of nine months it was down to 11.1 per cent. Despite further recession there was, by the end of the year, a residual 5 per cent rise in turnover at a new record.

But since this was insufficient to cover additional overheads (S.E.T. cost £4,000, for example, and will cost £6,000 in a full year) profits declined 1.1 per cent. This year's first quarter's operations show a marginal increase over the first quarter of last year and, considering how good that

PHOTOPIA INTERNATIONAL LIMITED and its subsidiary companies

APPLICATION OF PROFIT

This Analysis shows the cash income which resulted from the year's profit, and how it was applied:

	£	£
Net Profit for the year after Taxation (attributable to members of the holding company)	76,649	
Add: The Depreciation provision for the year	15,871	
Add: The Taxation provision for the year	37,250	
Cash benefit of Profit	<u>£129,770</u>	

Application

1 In adding to Fixed Assets	10,171
2 In paying Taxation Liabilities	65,723
3 In paying an Interim Dividend on the 1967 Accounts	15,000
4 In paying for goodwill on the acquisition of Mayfair Photographic Suppliers (London) Limited	10,385
5 In reducing the amount owing to Minority Interests in Docusat Limited	3,924
6 In adding to Stocks	26,506
	<u>131,709</u>

Less: Amount financed by a reduction in Working Capital.

Increase in net Bank Overdraft	32,281
Increase in Creditors	35,940
	<u>68,221</u>
Less: Increase in Debtors	66,282
	<u>1,939</u>

STATISTICAL INFORMATION

Taking the year ended 30th April 1962 (the year immediately prior to the public placing of the Company's shares in November 1962) as a base (100), the Sales, the Profit before Taxation and the Profit after Taxation attributable to the holding company for the years 1962 to 1967 have been as follows:

	1962	1963	1964	1965	1966	1967
Sales (excluding Purchase Tax)	100	122	129	151	171	178
Profit before Taxation	100	129	127	149	122	120
Profit after Taxation	100	133	126	221	157	183

A Summary of some of the more important figures in the Accounts for the years 1962 to 1967 is set out below, all figures being expressed to the nearest thousand pounds.

1962 1963 1964 1965 1966 1967
(£000's) (£000's) (£000's) (£000's) (£000's) (£000's)

Shareholders' Capital and Reserves

Ordinary Share Capital	..	..	..	..	..	..
Share Premium Account	..	..	..	..	..	..
Retained Profits	..	..	..	..	..	..
	375	402	438	509	542	573

These had been invested in:

Fixed Assets	..	..	..	..	..	..
Goodwill	..	..	..	..	..	..
Stock	..	..	..	..	..	..
Debtors and Cash, minus Current Liabilities, Deferred Taxation and Loan Notes of a subsidiary	..	..	..	..	..	..
	33	35	111	103	95	89
	237	237	237	237	237	237
	66	95	179	230	247	273
	39	35	—89	—61	—37	—26
	375	402	438	509	542	573

Profit before Taxation	..	..	..	..	..	..
Profit after Taxation	..	..	..	..	..	..
Dividends (net)	..	..	..	..	..	..
(gross)	..	..	..	..	..	..
Less Dividends waived	..	..	..	..	..	..
	95	123	121	142	116	114
	42	56	53	93	66	77
	1	27	27	30	—	—
	—	—	—	—	52	52
	—	11	11	12	21	17
	1	16	16	18	31	35

Less Income Tax deducted from gross Dividends

Net cost of Dividends	..	..	..	..	..	..
	—	—	—	—	5	—
	1	16	16	18	26	35

Retained Profits	..	..	..	..	..	..
Depreciation Charge	..	..	..	..	..	..
Cash Flow	..	..	..	..	..	..
	41	40	37	75	40	42
	4	3	8	14	17	16
	45	43	45	89	57	58

Profit before Taxation expressed as a percentage on Shareholders' Capital and Reserves 25.3% 30.6% 27.6% 27.9% 21.4% 19.9%

Rate of Ordinary Dividend adjusted for Bonus Issue — 14.6% 14.6% 17.5% 17.5% 17.5%

The Ordinary Dividend (before taking the waiver into account) was covered (times) — 2.1 2.0 3.1 1.3 1.5

CITY NOTES

INEVITABLY with share prices at a peak, at least in index terms – and that is cold comfort to people still nursing losses on shares bought at the top of the last boom – discussion mounts as to whether or not the rise can justifiably continue or whether a shake-out is due. Stockbrokers' clients are getting market reviews warning against the risks of blindly following a rise which is now getting on for a year old and which has seen the main index putting on well over one-hundred points from the November 1966 low.

But as one broking firm puts it, so long as the institutions regard the equity market as some sort of savings bank only to be drawn on in bad times, there is room for arguing that any shake-out, if there is one, will quickly be rectified by renewed institutional support. A general view is that considering the hard economic winter, so assiduously forecast, share prices are now discounting events substantially further ahead than the traditional six months that the share market is supposed to be able to judge.

The mood has been helped, admittedly, by the forecast of higher profits by leading companies hit decidedly hard by the cumulative squeeze events of the past three years. But whether mere profit recovery rather than true expansion is a basis for a runaway in share prices is open to question. The mood, all the same, is decidedly bullish and mood in stock-markets counts, very often, for more than statistics.

THE furore over the critical financial section of the E.E.C. Report on the British application to join the Common Market 'Six' has been variously viewed in the City as nothing but the truth, a statement of negotiable problems and a dastardly French plot. The second is probably the nearest of the three, at least in terms of British entry seen through a non-political eye. Sterling's reserve currency status, sterling balances and a precarious payments position

are undoubtedly points – and pertinent points – which must be taken into account and they are points which, in the opinion of some British commentators, add up to sterling devaluation as a price of Common Market entry. Criticism of the way in which these points were made in the E.E.C. report does not necessarily mean that they can be ignored in Common Market entry terms. They are in fact the matters on which an entry veto would be based.

CONSIDERED and found fair and reasonable by Deloitte, Plender, Griffiths, and Peat, Marwick, Mitchell, the terms of the long-signalled reorganization of the Hodge group of banking, finance and industrial companies have been put to shareholders. Briefly, the reorganization scales down the number of quoted companies in the group from four to two – Hodge Group itself and Anglo-Auto Finance. Just as important as the regrouping is the evidence, from the figures, that provision has been made for all possible bad debts in the finance companies.

THE half-yearly report of the Finance Houses Association emphasizes the need for economic controls with less disruptive effect than sudden changes in hire-purchase terms. A sudden sharp stiffening in hire-purchase inevitably puts out of gear the planned production schedules of the car industry. It upsets the household appliance industry, but it does not necessarily affect uncontrolled consumer spending through mail order, for example. From the Government's point of view, however, it has to be appreciated that control of the British economy is a decidedly tender business. At the slightest provocation the economy is liable to move madly in one direction or another. The fault does not necessarily lie in the measures taken but in their timing. Squeezes and freezes invariably come too late.

RATES AND PRICES

Closing prices, Tuesday, October 10th, 1967

Tax Reserve Certificates: Companies 3½% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate				Foreign Exchanges			
Jan. 3, 1963 ..	..	4%	July 14, 1966 ..	..	7%	New York ..	2.78½
Feb. 27, 1964 ..	..	5%	Jan. 26, 1967 ..	..	6½%	Montreal ..	2.98½
Nov. 23, 1964 ..	..	7%	Mar. 16, 1967 ..	..	6%	Amsterdam ..	10.00½
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%	Brussels ..	138.14½
						Copenhagen ..	19.29½
						Frankfurt ..	11.14½
						Milan ..	1733½
						Oslo ..	19.91
						Paris ..	13.64½
						Zürich ..	12.08½
Treasury Bills				Gilt-edged			
Aug. 4 ..	£5 6s 10.62d%	Sept. 8 ..	£5 5s 9.49d%	Consols 4% ..	58½	Funding 6% 1993 ..	89½
Aug. 11 ..	£5 6s 10.56d%	Sept. 15 ..	£5 5s 9.26d%	Consols 2½% ..	36½	Savings 3% 60-70 ..	90½
Aug. 18 ..	£5 5s 10.85d%	Sept. 22 ..	£5 7s 4.65d%	Conversion 3½% ..	51½	Savings 3% 65-75 ..	76½
Aug. 25 ..	£5 5s 9.96d%	Sept. 29 ..	£5 9s 5.98d%	Conversion 5% 1971	94½	Treasury 6½% 1976	99½
Sept. 1 ..	£5 5s 9.56d%	Oct. 6 ..	£5 9s 6.65d%	Conversion 5½% 1974	93½	Treasury 3½% 77-80	76½
				Conversion 6% 1972	98½	Treasury 3½% 79-81	72½
				Funding 3½% 99-04	57½	Treasury 5% 86-89	78½
				Funding 4% 60-90	96½	Treasury 5½% 08-12	81½
				Funding 5½% 78-80	87½	Treasury 2½% ..	36½
				Funding 5½% 82-84	87½	Victory 4% ..	96½
				Funding 5½% 87-91	86½	War Loan 3½% ..	52
Money Rates				Bank Bills			
Day to day ..	..	3½-5½%	2 months ..	..	5½-5½%		
7 days ..	..	3½-5½%	3 months ..	..	5½-5½%		
Fine Trade Bills			4 months ..	..	5½-5½%		
3 months ..	..	6½-7%	6 months ..	..	5½-5½%		
4 months ..	..	6½-7%					
6 months ..	..	6½-7½%					

The Institute of Chartered Accountants in England and Wales

Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, October 4th, 1967, there were present:

Mr W. E. Parker, C.B.E., President, in the Chair; Mr S. Dixon, Deputy-President; Mr R. G. Leach, C.B.E., Vice-President; Messrs J. F. Allan, J. A. Allen, Sir Henry Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, L. H. Clark, D. A. Clarke, R. W. Cox, C. Croxton-Smith, P. H. Dobson, S. M. Duncan, J. V. Eastwood, S. Edgumbe, R. W. Foad, G. G. G. Gault, J. P. Grenside, S. C. Hand, W. Hare, J. S. Heaton, J. A. Jackson, A. W. John, C.B.E., H. O. Johnson, R. O. A. Keel, H. Kirton, T.D., S. Kitchen, R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, S. A. Middleton, D. S. Morpeth, T.D., E. J. Newman, S. J. Pears, F. E. Price, C.B.E., D. W. Robertson, L. W. Robson, J. D. Russell, E. C. Sayers, K. J. Sharp, T.D., R. G. Slack, H. G. Smith, G. Tattersall-Walker, A. G. Thomas, D. C. Urry, A. H. Walton, D. N. Walton, A. S. Watson, J. Whitehead, J. C. Montgomery Williams, E. K. Wright.

Resignation from the Council

The Council received with much regret the resignation of Mr S. John Pears, F.C.A., London, from his membership of the Council. Mr Pears had been a member of the Council since 1946 and was President in the year 1960-61.

Computers print-outs and other mechanically produced records and the law of evidence

The Council approved a letter for submission to the Lord Chancellor drawing attention to the urgency of the need for the revision of the law to permit records produced by computers or retained on micro-film to be admissible as evidence in civil proceedings.

Corporation Tax and Capital Gains Tax Books

It was reported that the books *The Corporation Tax* and *The Capital Gains Tax* published by the Council on the enactment of the Finance Act 1965 would be withdrawn from publication not later than the end of 1967, as their purpose of dealing shortly and directly with the new taxation system before practical experience of its operation had been gained had now been accomplished. More than 70,000 copies of each title have been sold since publication.

Ninth International Congress of Accountants

The Chairman of the Overseas Relations Committee reported on the Ninth International Congress of Accountants held in Paris from September 6th to 12th, 1967, which was attended by about 146 members of the Institute.

The Council decided that the following statement be conveyed to the President of the Congress:

'The Council of The Institute of Chartered Accountants in England and Wales congratulates the organizers on the success of the Ninth International Congress of Accountants and wishes to express its appreciation of the hospitality shown to those who attended from the Institute. In particular, the Council wishes to thank the President of the Congress, M F.-M. Richard, and his colleagues on the organizing committee, and also the officers of the Congress, including the General Secretary, M Jean le Porz.'

Eighth Inter-American Accounting Conference

The Institute was represented by Mr R. M. Ireland, F.C.A., at the Eighth Inter-American Conference held in Caracas from August 28th to September 2nd, 1967.

U.E.C.

Mr S. John Pears, accompanied by Mr P. Carrel (Under-Secretary) attended a meeting of the Executive Committee in Paris on September 6th, 1967.

British Computer Society

The Council appointed Mr P. J. Knight, F.C.A., as the Institute's representative on the Education Committee of the British Computer Society in succession to Mr F. C. de Paula, T.D., J.DIP.M.A., F.C.A., who had indicated his wish to resign from this appointment.

Accountancy

Following proposals at recent annual meetings that *Accountancy* should be issued free to all members, a detailed

examination has been carried out into the costs of adopting such a proposal. On the basis of this examination the Council decided that the proposition would not be practicable without a substantial increase in membership subscriptions.

Apart from the financial implications of the free issue of *Accountancy* to members, the Council was also of the opinion that the journal might lose much of its appeal to non-member subscribers and advertisers and as a controlled issue domestic journal there was a danger that the absence of competition might make it lose its character and virility.

South African Special Final Examinations

The Council noted that the last of the South African Special Final Examinations was held in May 1967, when, out of five candidates, two passed and the other three failed.

Articled Service during Sandwich Degree Courses

Two sandwich-type degree courses have been approved by the Council under the Joint Standing Committee scheme. They are at the University of Aston in Birmingham and at the Bath University of Technology. The Council considers it desirable in principle to recognize as valid articled service some part at least of the time spent during such a course on the principal's business of public accountant.

As an immediate measure the Council has passed a regulation under bye-law 124. This regulation enables the Council until December 31st, 1968, to recognize as valid service under articles any one period of not less than four months served by an articled clerk on his principal's business of public accountant during an approved sandwich degree course. A copy of this regulation may be had on request from the Secretary of the Institute, from whom fuller guidance on procedure should in any case be sought by any person directly affected.

In due course the Council intends to put to members proposals for the altera-

tion of bye-law 68 to permit the continuation of the described policy beyond December 31st, 1968.

Registration of Articles

The Secretary reported the registration of sixty-six articles of clerkship during July 1967, and ninety-nine during August 1967, the total number since January 1st, 1967, being 1,255.

Admissions to Membership

The following were admitted to membership of the Institute:

Adams, David William, A.C.A., 1967; 66 Huddlestone Road, Tufnell Park, London N7.
Agnew, Anthony John, A.C.A., 1967; 82 Marchmont Street, Russell Square, London WC1.
Ainsworth, John Ellery, A.C.A., 1967; 50 Belle Vue Park West, Tunstall Road, Sunderland.
Ali, Vazeer, A.C.A., 1967; 5 Campden Hill Gardens, London W8.
Allchurch, John Anthony, B.A., A.C.A., 1967; 'Woodlands', Greenhill Park Road, Evesham, Worcs.
Allison, David Ian, A.C.A., 1967; 31 Woodlands Avenue, Harrogate.
Alton, Roger David, A.C.A., 1967; 'The Meadows', Manor Park, Ruddington, Notts.
Andrew, Clifford Owen, A.C.A., 1967; 554 Bolton Road, Bury.
Andrews, David Norman Martindale, B.A., A.C.A., 1967; Manor Farm, Old Heathfield, Sussex.
Arnold, John André, A.C.A., 1967; 117 Kent House Road, Beckenham, Kent.
Arulnayagam, Anthony Barnabas, B.Sc.(ECON.), A.C.A., 1967; c/o Y.M.C.A. Residential Club, Peartree Lane, Welwyn Garden City, Herts.
Ash, Anthony Robert Carl, A.C.A., 1967; with Price Waterhouse & Co, Sassoon Building, Parliament Street, (P.O. Bag 810), Nassau, Bahamas.
Ashford, Nicholas Geoffrey Neale, A.C.A., 1967; 'Upfolds', Friston, near Eastbourne, Sussex.
Aspinall, David Charles, A.C.A., 1967; 150 Wrekin Road, Wellington, Salop.
Atkins, Robin Vaughan, A.C.A., 1967; 439 Banbury Road, Oxford.
Austin, Terence Nigel, A.C.A., 1967; Long Cottage, Heol Y Pentre, Pentryrch, Cardiff.
Aylett, Boydin Stuart, A.C.A., 1967; 29 Haileybury Road, West Bridgford, Nottingham.
Bacon, John Richard, A.C.A., 1967; 128 Halstead Road, Stanway, Colchester, Essex.
Bales, Christopher Roy, A.C.A., 1967; 17 Hillcrest Park, Pennsylvania, Exeter, Devon.
Balfour, Christopher Roxburgh, B.A., A.C.A., 1967; 23 Alexandra Court, Queen's Gate, London SW7.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant Member'.

¶ Means 'Member in practice'.

Firms not marked †, †† or * are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Ball, Peter James, A.C.A., 1967; 40 Windsor Road, St Andrews, Bristol 6.
Barekat, Kooros, B.Sc.(ECON.), A.C.A., 1967; 11 Nahid Road, Kakh Avenue, Teran, Iran.
Barlow, (Miss) Phyllis Heather, A.C.A., 1967; 6 Pen-y-Dre, Rhiwbina, Cardiff.
Barnes, David John, M.A., A.C.A., 1967; 5093 Forbes Avenue, Apartment C.10, Pittsburgh, U.S.A.
Barnes, Richard Nigel, A.C.A., 1967; River Cottage, Boxford, near Newbury, Berks.
Barrett, Michael, A.C.A., 1967; 2 Levens Drive, Morton, Carlisle.
Barry, Stephen Jeffrey, B.A.(ECON.), A.C.A., 1967; 78 Eyre Court, London NW8.
Barton, James Christopher, A.C.A., 1967; 168 Moor Road, Orrell, Wigan.
Batt, Michael Sinclair, A.C.A., 1967; 44 Henleaze Park Drive, Henleaze, Bristol.
Baulf, Adrian John, A.C.A., 1967; 33 Elmfield Road, Bromley, Kent.
Beale, Jeremy Frank Rivers, B.Sc., A.C.A., 1967; 'Eastacre', Bereweke Road, Winchester, Hants.
Beecher, David Rowland, B.A., A.C.A., 1967; 14 Littlejohn Road, Orpington, Kent.
Beeching, Guy Anthony, A.C.A., 1967; 'Pippins', Furesfield Avenue, Speldhurst, Kent.
Bell, Geoffrey Alfred, A.C.A., 1967; 20 Derby Road, Peel, Isle of Man.
Bell, William Michael, A.C.A., 1967; 19 Castle Terrace, Berwick-on-Tweed.
Bennett, Geoffrey, A.C.A., 1967; The Flat, Rear of 30 Derby Road, Long Eaton, Notts.
Bentley, Bruce Michael, B.Sc.(ECON.), A.C.A., 1967; 12 Bellwood Gardens, Clayhall, Ilford, Essex.
Best, Roger George, B.COM., A.C.A., 1967; Chief Inspector's House, County Police Station, Yeovil, Somerset.
Beswick, Graham John, B.COM., A.C.A., 1967; 37 Brookside Avenue, Poynton, Stockport.
Bevan, Simon Vaughan, M.A., A.C.A., 1967; 31A Pemberley Avenue, Bedford.
¶ Billsborough, Stanley Thomas, A.C.A., 1967; 70 Dowbridge, Kirkham, Fylde, Lancs.
Birnbaum, David Martin, A.C.A., 1967; 26 Sonia Gardens, London NW10.
Black, Michael Anthony, A.C.A., 1967; 7 Courtenay Drive, Emmer Green, Reading, Berks.
Blythin, Raymond Charles, A.C.A., 1967; Paddock Road, Eccleston, near Chester.
Boote, Gervase William Alexander, A.C.A., 1967; Croxtonbank House, Eccleshall, Stafford.
Boothroyd, Peter, B.COM., A.C.A., 1967; with Peat, Marwick, Mitchell & Co, Theaterstrasse 36, Munich 8, Germany.
Botham, Neil Roderick, A.C.A., 1967; 18 Kingsley Avenue, Tettenhall Wood, Compton, Wolverhampton.
Bott, Laurence Peter, B.A., A.C.A., 1967; 58 Leeds Road, Selby, Yorks.
Boul, Jeffrey Howard, A.C.A., 1967; 'Quarr Rise', Clydach, near Swansea.
Boundy, Michael Alexander, A.C.A., 1967; 7 Roehampton Gate, London SW18.
Bowden, Graham Francis, A.C.A., 1967; 13 The Mews, Moat Lane, Pulborough, Sussex.
Bowthorpe, Jonathan Richard, A.C.A., 1967; 1 Dale Cottages, Mill Street, Westerham, Kent.
Brennand, Colin, A.C.A., 1967; with Charles E. Dolby & Son, 11 Dale Street, Liverpool 2.
Brereton, (Miss) Anne, A.C.A., 1967; 'Greentops', Newcastle Road, Willaston, near Nantwich, Cheshire.
Broadbent, (Miss) Stella Margaret, A.C.A., 1967; 7 Kingsway, Waterloo, Liverpool 22.
Broadway, Michael Ronald, A.C.A., 1967; 6 Wyndham Road, Kingston upon Thames, Surrey.
Brooker, Richard Arthur, A.C.A., 1967; 6 Farlington Avenue, Haywards Heath, Sussex.
Brown, Arthur Ernest, A.C.A., 1967; with Simpson, Wood & Co, Bank Chambers, Market Street, Huddersfield.
Brown, Gordon Hamilton, M.A., A.C.A., 1967; 30 Whitehaven Road, Bramhall, Stockport.
Brown, Jeremy David, A.C.A., 1967; 286 Allesley Old Road, Coventry.

Brown, John Alisdair Speers, A.C.A., 1957; 1 Sonoma Court, 19 Eastbury Avenue, Northwood, Middx.
Brown, Nicholas Record, A.C.A., 1967; with Mundy, Brewer & Johnson, 37 Great Pulteney Street, Bath.
Browne, David James, A.C.A., 1967; 'Hazel-dene', Primrose Ridge, Godalming, Surrey.
Burgon, Roger Stephen Francis, A.C.A., 1967; 7 Milverton Road, Winchester, Hants.
Burrows, (Miss) Nancy Christobel, A.C.A., 1967; St Ann's Mount, 166 Prescott Road, St Helens, Lancs.
Cail, Ian, A.C.A., 1967; 28 Henry Street, Shildon, County Durham.
Campbell, John Hamilton McRae, A.C.A., 1967; 43 Bridge Road, Epsom, Surrey.
Capper, Richard Gerald, A.C.A., 1967; Norwood Hill House, Southwell, Notts.
Carrington, David John, A.C.A., 1967; 32 Monastery Gardens, Enfield, Middx.
Caton, Edward Owen, A.C.A., 1967; 175 Western Avenue, Dagenham, Essex.
Catterall, Peter John Rishton, B.COM., A.C.A., 1967; Montgomery House, Manchester 16.
Charkin, Michael Anthony, A.C.A., 1967; 94 Millway, Mill Hill, London NW7.
Charles, Barrie Joseph, A.C.A., 1967; 36 Farm Road, Rowley Regis, Warley, Worcs.
Cherry, John Loraine, M.A., A.C.A., 1967; Flat 6, 36 Sloane Gardens, London SW1.
Chivers, Derek Alan, A.C.A., 1967; Red Cow Cottage, Wallingford Road, Cholesey, Berks.
Christian, Neil Howard George, A.C.A., 1967; 8A Front Street, Acomb, Yorks.
Christie, John Nicholas, B.A., A.C.A., 1967; 53 Woodside Road, Beaumont Park, Huddersfield.
Christie, Paul Howard, A.C.A., 1967; 53 Woodside Road, Beaumont Park, Huddersfield.
Chui, Chee Keung, B.A.(ECON.), A.C.A., 1967; 15 Walter Street, Fallowfield, Manchester 14.
¶ Clark, Michael Roger, A.C.A., 1967; Leslie D. Clark & Co, 292 Chester Road, Streethly, Sutton Coldfield, Warwicks.
Clark, Stuart Clifford, B.A., A.C.A., 1967; 97 Norton Road, Stourbridge, Worcs.
Cliff, William Michael, A.C.A., 1967; 4 Thornham Close, Brandlesholme, Bury.
Cohen, David Michael, A.C.A., 1967; 'Mantas', Coombe Hill Road, Kingston upon Thames, Surrey.
Cohen, Howard, John, A.C.A., 1967; 'Redcroft', The Bishop's Avenue, London N2.
Colbert, Denzil Lewis, A.C.A., 1967; 33 Avondale Avenue, Finchley, London N12.
Cole, Michael Maurice, A.C.A., 1967; with Whinney, Murray & Co, 67 Chiswell Street, London EC1.
Collins, John Anthony, B.A., A.C.A., 1967; 52 Coleherne Court, Old Brompton Road, London SW5.
Collins, William, A.C.A., 1967; 25 Kingfisher Drive, Benfleet, Essex.
Comber, Alan, A.C.A., 1967; 124 Malling Road, Snodland, Kent.
Concanon, Brian Anthony Ross, A.C.A., 1967; 46 Queens Road, Weybridge, Surrey.
Cooke, Alan Douglas, A.C.A., 1967; 29 Brampton Grove, Wembley Park, Middx.
Cookson, Gordon John, A.C.A., 1967; 86 Cambridge Road, Crosby, Liverpool 23.
Cooper, Roger Henry Edward, A.C.A., 1967; 133 Wades Hill, Winchmore Hill, London N21.
Cordiner, John Alexander, A.C.A., 1967; 105 Runnymede Road, Darras Hall, Ponteland, Newcastle upon Tyne.
Corke, David Arthur, A.C.A., 1967; 180 Kingsley Road, Hounslow, Middx.
Corley, Peter Francis MacIntyre, A.C.A., 1967; 112 Furlong Road, Bolton-on-Dearne, Rotherham.
Cornish, John Essex, B.Sc.(ECON.), A.C.A., 1967; 15 Fitzjames Avenue, East Croydon, CRO 5DL.
Cortis, Roger James, B.A., A.C.A., 1967; 57 Clare Court, Judd Street, London WC1.
¶ Cottrell, Richard Gray, A.C.A., 1967; with Cooper Brothers & Co, P.O. Box 1993, Teheran, Iran.
Courtenay, Roger Ian, A.C.A., 1967; 16 Salisbury Road, Radcliffe, Lancs.

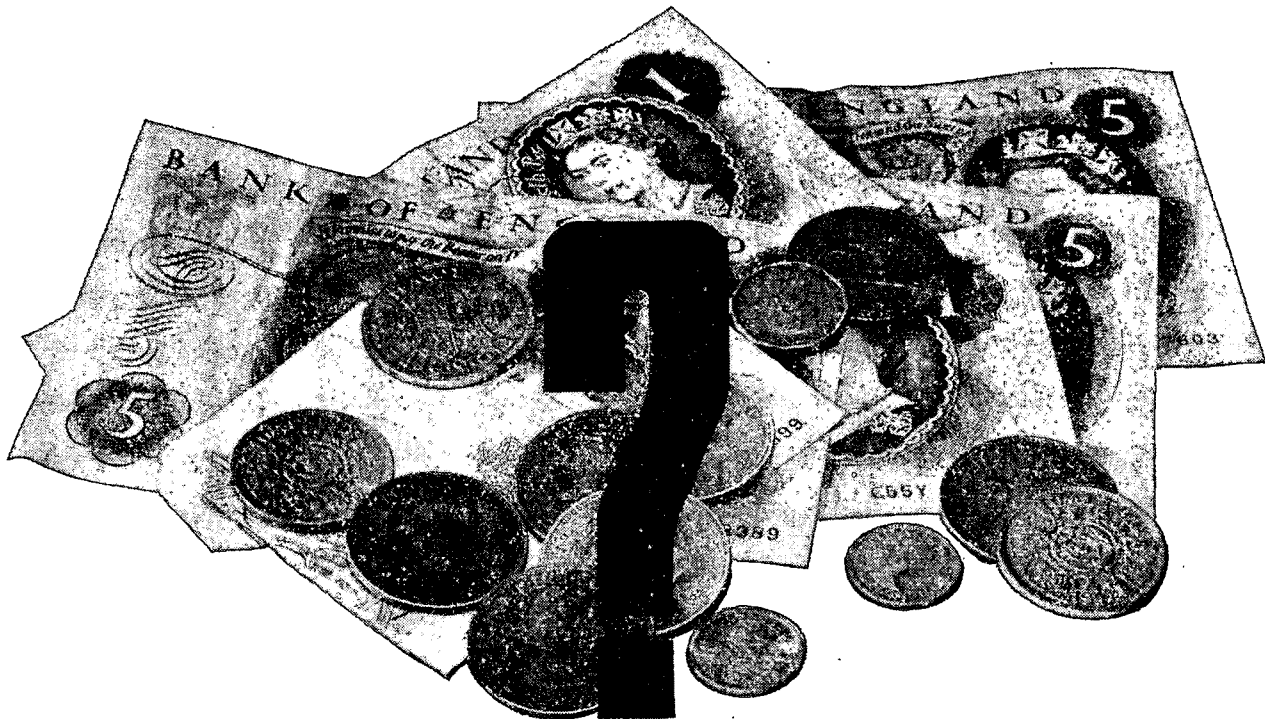
- Covell, (Miss) Christine Ann, A.C.A., 1967; 7 Aston Avenue, Kenton, Harrow, Middx.
- Cowan, Norman, A.C.A., 1967; 33 Sinclair Grove, London NW11.
- Cowen, Stuart, A.C.A., 1967; 26 Queens Road, Hoylake, Wirral, Cheshire.
- Cox, Robert Reginald, B.A., A.C.A., 1967; 8 Harcourt Road, Westbury Park, Bristol 6.
- Cracknell, John David, A.C.A., 1967; 31 Ashen Grove, Wimbledon Park, London SW19.
- Cranston, John Malcolm, A.C.A., 1967; 'Usteno', Grange Close, Leatherhead, Surrey.
- Crawford, Guy Mervyn Archdall, B.A., A.C.A., 1967; 15 Cheyne Place, Royal Hospital Road, London SW3.
- Crossley, Kenneth Norman, A.C.A., 1967; 14 Brookfield Avenue, Poynton, Cheshire.
- Cumming, Peter, A.C.A., 1967; 16 Lakeland Crescent, Alwoodley, Leeds 17.
- Curtis, Timothy Malise, B.A., A.C.A., 1967; Annesley Cottage, Lyndhurst, Hants.
- Cutts, Brain Albert, B.Sc., A.C.A., 1967; 10 Addington Road, Sandstead, Surrey.
- Dale, Roger Ernest, A.C.A., 1967; 'Darien', Stocksfield, Northumberland.
- Dargue, Roger Thomas, B.Sc.(ECON.), A.C.A., 1967; 4 Bramley Road, Southgate, London N14.
- Dasgupta, Biswarup, A.C.A., 1967; 49 Carterknowle Road, Sheffield 7.
- Davies-Colley, John Andrew, A.C.A., 1967; 21 Park Road, Thorton-Le-Fylde, Lancs.
- Davis, John Christopher, A.C.A., 1967; 'Winterfield', Terry's Lane, Cookham, near Maidenhead, Berks.
- Davis, Peter John, A.C.A., 1967; 71 Oathall Road, Haywards Heath, Sussex.
- Dawes, Graham Keith, A.C.A., 1967; 341 Harlaxton Road, Grantham, Lincs.
- Day, John Campbell Lacy, B.A., A.C.A., 1967; 'High Barn', Courtenay Road, Winchester, Hants.
- Dennis, Philip Gavril, A.C.A., 1967; 46 Danycoed Road, Cyncoed, Cardiff.
- Dennison, Rodney Keith, A.C.A., 1967; 89 Langham Road, Tottenham, London N15.
- Dent, Kenneth William, A.C.A., 1967; 'Quern Moor', Mill Lane, High Salvington, Worthing, Sussex.
- Denton, Jeffrey Irvine, A.C.A., 1967; 19 Mount Pleasant Road, Sheffield 7.
- Dewdney, Richard John Anthony, A.C.A., 1967; 28 Ambrose Road, Bristol 8.
- Dickinson, Brian, A.C.A., 1967; 92 Greenway Road, Timperley, Altrincham, Cheshire.
- Dickson, Jeremy David Fane, M.A., A.C.A., 1967; 213C Kensington High Street, London W8.
- Dickson, John, B.COM., A.C.A., 1967; 18 Whitfield Road, Norton, Stockton-on-Tees.
- Dixon, Keith, A.C.A., 1967; 16 Owst Road, Keyingham, Yorks.
- Donahaye, Daniel Manassé David, B.Sc.(ECON.), A.C.A., 1967; 173 Lincoln Avenue, Twickenham, Middx.
- Downes, Gerard John, B.COM., A.C.A., 1967; 142 Ashcroft Road, Stapsley, Luton, Beds.
- Dowson, Colin John, A.C.A., 1967; The Old Cottage, Moushill Lane, Milford, Godalming, Surrey.
- Driscoll, Kevin Timothy Eugene, A.C.A., 1967; 46 Panfield Road, Benchill, Wythenshawe, Manchester 22.
- Dutchman-Smith, John Stewart, A.C.A., 1967; 21 Market Street, Westhoughton, Lancs.
- Edden, Paul Graham, B.A., A.C.A., 1967; 58 Elmdon Lane, Marston Green, near Birmingham.
- Edgell, Adrian Bruce, A.C.A., 1967; 26 Gainsborough Road, Keynsham, near Bristol.
- Eggleston, John Ross, A.C.A., 1967; 13A Priory Road, London NW6.
- Ehlers, George Thomas, A.C.A., 1967; 14 Mortimer Road, Clifton, Bristol 8.
- Elkerton, Iain Geoffrey William, A.C.A., 1967; 14 Byron Court, London Road, Knowle, Solihull, Warwicks.
- Ellis, Roger Anthony, A.C.A., 1967; 139 Highfield Road, Idle, Bradford.
- England, Anthony David, A.C.A., 1967; 'Broadway', Knole Park, Almondsbury, Bristol.
- Engledow, Roger Charles, A.C.A., 1967; 10 South View Road, Hornsey, London N8.
- Eveleigh, Nigel Markham Aldridge, B.Sc., A.C.A., 1967; with R. H. March, Son & Co, 21 College Hill, Cannon Street, London EC4.
- Ewen, William George Bryan, A.C.A., 1967; 9 Egerton Gardens, London SW3.
- Fairbairn, Ian James, A.C.A., 1967; 19 Hillfield, Frodsham, via Warrington.
- Fairweather, Albert, A.C.A., 1967; 40 Dawson Road, Byfleet, Surrey.
- Favell, Martin Rowland, B.A.(ECON.), A.C.A., 1967; with Wright & Favell, 47 Bank Street, Sheffield 1.
- Ferris, Anthony Gordon, B.A., A.C.A., 1967; 22 Cedarhurst, Tennyal Road, Harborne, Birmingham 32.
- Feilding, Peter James, B.COM., A.C.A., 1967; 7 Sidley Avenue, Blackley, Manchester 9.
- Finch, Christopher, A.C.A., 1967; 56 Strode Road, Clevedon, Somerset.
- Fleming, Jonathan Peter, A.C.A., 1967; 1 Blueberry Road, Bowden, Cheshire.
- Flint, William Malcolm, A.C.A., 1967; 77 Blake Road, West Bridgford, Notts.
- Floyd, Allen Edward, A.C.A., 1967; 12 Fayerfield, The Causeway, Potters Bar, Herts.
- Forman, Stephen John, A.C.A., 1967; 31 Eastern Parade, Southsea, Hants.
- Forrest, Arthur Thomas, A.C.A., 1967; 42 Waldegrave Park, Twickenham, Middx.
- Fox, Roger Granville, A.C.A., 1967; 73 Vincote Road, Longford, Coventry.
- Frall, Anthony James, A.C.A., 1967; 15 Langham Gardens, North Wembley, Middx.
- Frank, John Michael Bruce, A.C.A., 1967; 'Greenways', Muston Road, Hunmanby, East Yorks.
- Freedman, Norman Ralph, A.C.A., 1967; 17 Wrexham Road, Harold Hill, Romford, Essex.
- Fry, John Carmichael, A.C.A., 1967; September Cottage, Yelverton, Devon.
- Gabriel, Michael Clifford, A.C.A., 1967; 1 Home Farm Close, Thames Ditton, Surrey.
- Gallagher, Joseph Gerald, A.C.A., 1967; St Bernards Grange, Grange Road, Solihull, Warwicks.
- Gan, Tin Hua, A.C.A., 1967; 135 Haverstock Hill, London NW3.
- Gandhi, Homi Dossabhai, B.Sc.(ECON.), A.C.A., 1967; 124 Brondesbury Villas, London NW6.
- Gardner, Charles Richard Exton, A.C.A., 1967; 1 Osten Mews, Emperors Gate, London SW7.
- Garran, Adrian Andrew, A.C.A., 1967; 8 Hollywood Mews, London SW10.
- Garrigan, Peter Joseph, A.C.A., 1967; 24 Nash Road, Bedford.
- Garrow, John Nicholas, A.C.A., 1967; 8 Ensor Mews, London SW7.
- Gemmell, Kenneth Ivor, A.C.A., 1967; 17 The Avenue, Lightcliffe, Halifax.
- Gibson, John Miller, A.C.A., 1967; 19 Sheringham Avenue, Southgate, London N14.
- Giles, Adrian Patrick Gordon, A.C.A., 1967; 10 Sydney Street, London SW3.
- Gitter, Geoffrey, B.Sc.(ECON.), A.C.A., 1967; 55 Ealing Village, London W5.
- Gladwin, John Leighton, A.C.A., 1967; 53 Gwalior House, Chase Road, Southgate, London N14.
- Glasgow, Charles Lindsay, A.C.A., 1967; 38 Bellencroft Gardens, Merry Hill, Wolverhampton.
- Glover, John Martin, B.A.(ECON.), A.C.A., 1967; 'Holly View', Loxwood, Sussex.
- Goddard, Harry, A.C.A., 1967; 'Rylands', Hall Road East, Blundellsands, Liverpool 23.
- Godden, Anthony Nicholas, A.C.A., 1967; c/o Coutts & Co, 15 Lombard Street, London EC2.
- Gold, Anthony Brian, A.C.A., 1967; 28 Lushes Road, Loughton, Essex.
- Goodbody, Graham George, A.C.A., 1967; 14 Priory Road, Kew, Richmond, Surrey.
- Gooding, Christopher George, A.C.A., 1967; 31 Girdwood Road, Southfields, London SW18.
- Gordon, Christopher, A.C.A., 1967; 4 Butler Avenue, Harrow, Middx.
- Gowers, Andrew Maurice, A.C.A., 1967; 36 Newcome House, Powell Road, London E5.
- Graham, Peter William John, A.C.A., 1967; 97 Brendon Street, Long Eaton, Nottingham.
- Graham-Taylor, Richard Michael, A.C.A., 1967; 22 Welbeck Court, Addison Bridge Place, London W14.
- Green, David Martyn Jackson, A.C.A., 1967; 41 Tranby Avenue, Hessle, East Yorks.
- Greene, Lawrence, A.C.A., 1967; 28 Greenfield Gardens, Cricklewood, London NW2.
- Grierson, Robert McMorrine, A.C.A., 1967; 30 Margetson Drive, Sheffield 5.
- Griffin, Colin Edward, A.C.A., 1967; 8 Hempson Avenue, Slough, Bucks.
- Griffin, Roger Francis Raby, B.A., A.C.A., 1967; 25 Eaton Place, London SW1.
- Griffiths, Roger Murray, B.COM., A.C.A., 1967; 36 Weston Road, Albrighton, near Wolverhampton.
- Gubbay, Jacob, A.C.A., 1967; 89 Mount Pleasant Lane, London E5.
- Gudka, Narendra Zaverchand, A.C.A., 1967; 42 Cricklade Avenue, London SW2.
- Gufflet, Marie Joseph Gilles, A.C.A., 1967; with Cooper Brothers & Co, Abacus House, Gutter Lane, Cheapside, London EC2.
- Gunn, George John Ward, A.C.A., 1967; 16 Gainsborough Court, College Road, Dulwich, London SE21.
- Gunn, Ian Hugh Alexander, A.C.A., 1967; 12 Hill Burn, Henleaze, Bristol.
- Gupta, Ashok Kumar, A.C.A., 1967; 33 Coleshill Road, Teddington, Middx.
- Hale, Robert, A.C.A., 1967; 116 Hawbush Road, Brierley Hill, Staffs.
- Hall, Alan, A.C.A., 1967; 38A Beveridge Way, Newton Aycliffe, near Darlington.
- Hall, Ian, A.C.A., 1967; 25 Corrigan Terrace, East Rainton, Houghton-Le-Spring, County Durham.
- Hall, John Samuel, M.A., A.C.A., 1967; 'Monellan', Upper Wyche, near Malvern, Worcs.
- Hall, Robert Stewart Aikman, A.C.A., 1967; Grimston Hill House, York.
- Hardie, Stuart John, B.A.(ECON.), A.C.A., 1967; 225 Bramhall Lane South, Bramhall, Cheshire.
- Hardy, John Christopher, B.Sc., A.C.A., 1967; 73 Redcliffe Close, Old Brompton Road, London SW5.
- Harris, John Anthony, A.C.A., 1967; 31 Crown Lane, Southgate, London N14.
- Harrison, Richard George, A.C.A., 1967; The Grange, Ingham, Lincoln.
- Hart, Thomas Richard Ogden, B.A., A.C.A., 1967; 16 St Andrew's Mansions, Dorset Street, London W1.
- Harvie, Michael Peter, A.C.A., 1967; 35 Hobson Road, Summertown, Oxford.
- Hawkins, (Miss) Margaret Ann, A.C.A., 1967; 57 Wilmington Avenue, Chiswick, London W4.
- Hayes, Desmond Pierce, A.C.A., 1967; 16 Emperors Gate, London SW7.
- Hayter, Gerald Frank, A.C.A., 1967; 1 Elmgrove Road, Redland, Bristol 6.
- Hedley Lewis, Vincent Richard, A.C.A., 1967; 3 Pembroke Square, London W8.
- Henderson, Michael, A.C.A., 1967; 38 Bromley Road, Walthamstow, London E17.
- Henshaw, Alexander Graham Guy, A.C.A., 1967; 'Briarwood', Sandilands, Sutton-on-Sea, Mablethorpe, Lincs.
- Herald, Andrew Nicholas, A.C.A., 1967; 'Wayside', Creskeld Lane, Bramhope, near Leeds.
- Heron, John Michael, B.COM., A.C.A., 1967; 'Alderley', Water Lane, Tarbock Green, near Prescott, Lancs.
- Hertzberg, Warren Henry, A.C.A., 1967; 369 Pinner Road, Harrow, Middx.
- Hetherington, Geoffrey William, A.C.A., 1967; 16 Hartland Road, Hampton Hill, Middx.
- Heynes, David Gordon, A.C.A., 1967; 73 Lyall Mews West, London SW1.
- Higgs, Alan Bryce, A.C.A., 1967; 53 Southway, Carshalton Beeches, Surrey.
- Hillman, Peter John, A.C.A., 1967; 13 The Mall, Brentford, Middx.
- Hine, Philip John, A.C.A., 1967; 13 Egerton Road, Iffley, Oxford.

- Hitchen, Gordon Kenneth, A.C.A., 1967; 9 Iveson Crescent, Leeds 16.
- Hitchman, Frank Hendrick, B.Sc., A.C.A., 1967; 13 Wellington Square, London SW3.
- Hobbs, Ronald Michael, A.C.A., 1967; 25 Wordsworth Avenue, Penarth, Glam.
- Hoggarth, Ian Frank, B.A., A.C.A., 1967; 57 Clare Court, Judd Street, London WC1.
- Holder, Michael John, A.C.A., 1967; 1 Eden Close, Studley, Warwicks.
- Holdway, Ronald Peter, A.C.A., 1967; West View Farm, Westwood, Bradford-on-Avon, Wilts.
- Holland, Peter, A.C.A., 1967; 67 High Street, Saffron Walden, Essex.
- Holloway, Peter Geoffrey, A.C.A., 1967; 108 Portsmouth Road, Lee-on-Solent, Hants.
- Hooper, Richard Paul, A.C.A., 1967; 1 Mercer Lane, Bamford, Rochdale, Lancs.
- Hooton, John Edward, A.C.A., 1967; 'Wayside', High Oakham Hill, Mansfield, Notts.
- Houghton, Anthony Raymond, A.C.A., 1967; 103 Lingfield Crescent, Eltham, London SE9.
- Housechild, Roger John, B.Sc.(ECON.), A.C.A., 1967; 55 Basing Hill, Wembley Park, Middx.
- Howard, Terence Reuben, A.C.A., 1967; 49 Moffat Avenue, Ipswich.
- Hughes, Ian Vincent, A.C.A., 1967; c/o Y.M.C.A., 86 Snow Hill, Birmingham 4.
- Hughes, Richard John Walker, A.C.A., 1967; School House, School Road, Wombourn, near Wolverhampton.
- Hughes, Roger Henry Martin, B.A.(ECON.), A.C.A., 1967; 58 Ashbourne Avenue, London NW11.
- Hulme, Douglas James Morley, A.C.A., 1967; 'Glenshiel', Courtland Drive, Chigwell, Essex.
- Humpage, Malcolm John, A.C.A., 1967; 5 Queensbury Road, Anchorsholme, Blackpool.
- Humphreys-Davies, Michael, B.A., A.C.A., 1967; 7 Cambridge Road, Twickenham, Middx.
- Hurst, Roy Michael, A.C.A., 1967; with Thornton Baker & Co, Alliance House, Hood Street, Newcastle upon Tyne 1.
- Hyman, Saul, A.C.A., 1967; 52 Lynmouth Road, Stamford Hill, London N16.
- Irwin, Robert William, A.C.A., 1967; Newby Cottage, Huby, Leeds.
- Ixer, Christopher Rowe, A.C.A., 1967; Lorimer House, Cuckfield, Sussex.
- Jamil, Shahid, A.C.A., 1967; c/o Durathene (Manufacturers), 603 Muhammadi House, McLeod Road, Karachi, West Pakistan.
- Janson, Hamish Timothy Warren, B.A., A.C.A., 1967; 12 Blithfield Street, London W8.
- Jarvis, Robert Leslie, B.A., A.C.A., 1967; 59 Westside, Clapham Common, London SW4.
- Javeri, Rustom Naval, A.C.A., 1967; 22 York House, 14 Highbury Crescent, London N5.
- Jefferson, Thomas William, A.C.A., 1967; 'Delamere', Spellowgate, Driffield, Yorks.
- Jeffs, Harry, A.C.A., 1967; 2 The Avenue, Huyton, Lancs.
- Jenkins, Martin Stuart, A.C.A., 1967; 4 Hillside Gate, Hillside Road, St Albans, Herts.
- Jessa, Aminmohamed Abdulali Mitha, A.C.A., 1967; 13 Lyndhurst Gardens, Hampstead, London NW3.
- Jinnah, Abdul Hamid Ghani, A.C.A., 1967; 8 Thiam Siew Avenue, Singapore 15.
- John, Huw Stradling, B.A.(ECON.), A.C.A., 1967; 5 Hospital Road, Pontypridd, Glam.
- Johnston, Timothy Courtenay, A.C.A., 1967; Narrow Lane House, Wards End, Adlington, near Macclesfield.
- Jones, (Mrs) Patricia Ann, A.C.A., 1967; 3 Stoneleigh Road, Solihull, Warwicks.
- Jones, Philip William, A.C.A., 1967; 12 Main Road, Five Crosses, Frodsham, Cheshire.
- Jones, Robin Jeffrey Llewellyn, B.A., A.C.A., 1967; 31 Muswell Avenue, London N10.
- Joshi, Kishorkumar Narsinh Vishram, A.C.A., 1967; 73 Lansdowne Road, London W11.
- Jowett, James Ian, A.C.A., 1967; 64 Warrenhouse Road, Waterloo, Liverpool 22.
- Kan, Yuet Yun Michael, A.C.A., 1967; 820 Mountbatten Road, Singapore 15.
- Kandler, Geoffrey Michael, A.C.A., 1967; 32 Hillcrest Avenue, Edgware, Middlesex.
- Keeley, Christopher Arthur, A.C.A., 1967; 8 North Road, Edmonton, London N9.
- Keene, Colin Bernard William, A.C.A., 1967; with Slipper & Co, 77/79 King Street, London W6.
- Kelly, John Antony Brian, LL.B., A.C.A., 1967; 36 Kensington Place, London W8.
- Kemp, William David, B.Sc.(ECON.), A.C.A., 1967; 202 Moss Lane, Bramhall, Stockport.
- Khalid, Zaheer, A.C.A., 1967; 4-H, Gulberg, Lahore, West Pakistan.
- Khan, Luqman, A.C.A., 1967; 11 Landgrove Road, Wimbledon Park, London SW19.
- Khan, Tahir Ahmed, A.C.A., 1967; with Sproull, Goddard & Co, 28 Great Queen Street, London WC2.
- Khedoori, Joseph, B.COM., A.C.A., 1967; 32 The Ridgeway, London NW11.
- King, Roger David, A.C.A., 1967; 4 Rawcliffe Drive, Clifton, York.
- Kirton, John Robert, A.C.A., 1967; 39 Glaisdale Road, Hall Green, Birmingham 28.
- Knapton, Anthony John, A.C.A., 1967; 17 Wyatt Avenue, Sheffield 11.
- Kneller, Richard Dudley, A.C.A., 1967; 41 Landsdowne Road, London W11.
- Konu, Godfrey Kwashie, A.C.A., 1967; 8 Gloucester Avenue, London NW1.
- Laffin, John Hammond, B.A.(ECON.), A.C.A., 1967; Aylestone Post Office, Leicester.
- Lakra, Homi, A.C.A., 1967; 9 Bramblefield Lane, Sittingbourne, Kent.
- Lalji, Amirali Rashid, A.C.A., 1967; P.O. Box 811, Dar-es-Salaam, Tanzania, East Africa.
- Lambert, John Rodney, A.C.A., 1967; 'Alandale', Tonbridge Road, Watlington, Kent.
- Lane, Thomas Roderick, A.C.A., 1967; 12 Landra Gardens, Grange Park, London N21.
- Lavery, Kevin Bernard, B.A., A.C.A., 1967; with Arthur Andersen & Co, St Alphege House, 2 Fore Street, London EC2.
- Lawrence, Keith Barry, A.C.A., 1967; 19 The Gallop, Sutton, Surrey.
- Lawson, Robert Ian, A.C.A., 1967; 50 Tewit Well Road, Harrogate.
- Lazarus, Lennard Stewart, A.C.A., 1967; 25 Parkhurst Court, Holloway, London N7.
- Leacock, Albert Ellison, B.Sc.(ECON.), A.C.A., 1967; c/o Bookers Sugar Estates Ltd, Church Street, Georgetown, Guyana, South America.
- Lee, Douglas Norfolk, A.C.A., 1967; 342 Rogers House Newcomb Hall Station, Charlottesville, Virginia, U.S.A.
- Lehrer, Keith, B.A.(ECON.), A.C.A., 1967; 77 Southover, London N12.
- Leicester Thackara, James Antony, A.C.A., 1967; 20 Brechin Place, London SW7.
- Leighton, Edward David John, A.C.A., 1967; 19 Beaumont, St John's Avenue, London SW15.
- Levi, Philip John, A.C.A., 1967; 2 Hill Close, Stanmore, Middlesex.
- Levine, Elliott, A.C.A., 1967; 6 Raleigh Close, London NW4.
- Lewis, Brian Edward, A.C.A., 1967; 803 North Alpine Drive, Beverly Hills, California 90210 U.S.A.
- Lewis, Stephen David, B.A., A.C.A., 1967; 45 Coronation Drive, Liverpool 23.
- Liddiard, Stephen Paul, A.C.A., 1967; 10 Bracondale Avenue, Meopham, Kent.
- Limpenny, Roger Eric, A.C.A., 1967; 73 Foxearth Road, Selsdon, South Croydon, Surrey.
- Livingstone, David Charles, A.C.A., 1967; 15 Kingsdown Avenue, Luton, Beds.
- Lloyd, Peter Brian, A.C.A., 1967; with Price Waterhouse & Co, Beaufort House, 96 Newhall Street, Birmingham 3.
- Lochan, Frank Neville Carrington, A.C.A., 1967; 12 Park Hill Road, Croydon, CR 9-5BA.
- Lodge, Stuart Bernard, A.C.A., 1967; 60 Summerbridge Crescent, Ecclehill, Bradford 2.
- Lonsdale, Anthony John, A.C.A., 1967; 'The Coppice', Upper Warren Avenue, Caversham, Berks.
- Lord, Christopher John, A.C.A., 1967; 'Tynron', West Road, Noctorum, Birkenhead.
- Lovatt, Douglas John, A.C.A., 1967; 162 Cornwall Road, Tettenhall, Wolverhampton.
- Lovett, John Cyril, A.C.A., 1967; 86 London Road, Forest Hill, London SE23.
- Luscombe, Rodney William, B.A., A.C.A., 1967; 23 Park Road, Brentwood, Essex.
- McGowan, Brian Dennis, A.C.A., 1967; 16 Western Road, Southall, Middlesex.
- Machin, Robert Leigh, A.C.A., 1967; 12 Petersfield Drive, Droitwich, Worcs.
- Maciver, Donald, A.C.A., 1967; 10 Treforris Road, Wallasey, Cheshire.
- Mackenzie, David Swancott Gordon, A.C.A., 1967; 9 Meadow, Spital, Bromborough, Cheshire.
- McNiff, John Joseph, A.C.A., 1967; 5 Anson Road, London NW2.
- McRae, Allan Campbell Greig, A.S.A.A., 1967; c/o Caterpillar (Africa) (Pty) Ltd, P.O. Box 11481, Johannesburg.
- Macwhirter, Stuart Boyde, A.C.A., 1967; 3 Melbury Grange, Mavelstone Road, Bickley, Kent.
- Malde, Pravinchandre Laxman, B.Sc.(ECON.), A.C.A., 1967; 48 Marine Parade, Brighton, Sussex.
- Marjoram, Gordon Edward, B.COM., A.C.A., 1967; 83 Mill Hill Lane, Winshill, Burton-on-Trent.
- Martin, Paul Arthur, A.C.A., 1967; 180 Clarendon Park Road, Leicester.
- Martin, Peter James, A.C.A., 1967; 85 Galleywood Road, Great Baddow, Essex.
- Mason, Martyn Gerald, A.C.A., 1967; 14 Paxford Road, North Wembley, Middx.
- Mattey, David Gordon, A.C.A., 1967; 'Old Court', Long Street, Sherbourne, Dorset.
- Matthews, Alan John, A.C.A., 1967; 24 Greenway Gardens, Shirley, Croydon, CRO 8QG.
- Matthews, Michael Ralph Eastwood, B.A., A.C.A., 1967; with Cooper Brothers & Co, P.O. Box 1993, Tehran, Iran.
- May, Alan Wotton, A.C.A., 1967; P.O. Box 1500, Nairobi, Kenya.
- Mead, Anthony Frederick John, B.Sc.(ECON.), A.C.A., 1967; 66 Beddington Gardens, Wallington, Surrey.
- Mead, Brian Leonard, A.C.A., 1967; with Jackson, Pixley & Co, Kent House, Telegraph Street, London EC2.
- Megaw, Robert Chapman, A.C.A., 1967; 14 Upper Cheyne Row, London SW3.
- Mehra, Romesh, B.A., A.C.A., 1967; 67 Abbey Road, London NW8.
- Meier, Ian, A.C.A., 1967; Gillan Cottage, Oaksway, Gayton, Wirral, Cheshire.
- Meller, John Patrick, A.C.A., 1967; c/o D. G. Holloware Ltd, Holford Drive, Perry Barr, Birmingham 22B.
- Miller, Malcolm Clifford, A.C.A., 1967; 116 Askham Lane, Acomb, York.
- Miller, Roger George, A.C.A., 1967; 16 Tarratt Road, Yeovil, Somerset.
- Mills, Patrick Robert, B.A., A.C.A., 1967; 2 Grenfell Avenue, Maidenhead, Berks.
- Mitchell, Keith Ronald, A.C.A., 1967; 49 Eastcote Lane, South Harrow, Middx.
- Mohan, Sugrim, A.C.A., 1967; 127 Industry Housing Scheme, E.C. Demerara, Guyana.
- Montague, John Antony Victor, A.C.A., 1967; 294 Hempstead Road, Watford, Herts.
- Montgomery, Ian, A.C.A., 1967; 20 Beck Road, Belle Vue, Carlisle.
- Moore, Peter Russell, A.C.A., 1967; 'Parford', Costock Lane, Walsall, Nottingham.
- Morfill, Roger William, A.C.A., 1967; 12 Georges Close, St Paul's Cray, Orpington, Kent.
- Morgan, David Robert, A.C.A., 1967; 20 Ebury Road, Rickmansworth, Herts.
- Morland, Christopher Ross, B.COM., A.C.A., 1967; 7 Forefield Lane, Liverpool 23.
- Morley Griffiths, Jeremy Robin, A.C.A., 1967; 2 Nursery Close, Lime Walk, Headington, Oxford.
- Mottershaw, Stuart Roger, A.C.A., 1967; 97 Springfield Road, Sheffield 7.
- Munford, Graham Leslie, A.C.A., 1967; 2 Wykeham Avenue, Dagenham, Essex.

- Murray, Graham Colin, A.C.A., 1967; 25 Pine Avenue, West Wickham, Kent.
- Nagle, Michael, A.C.A., 1967; 'Hylands', Hollow Lane, Shinfield, Berks.
- Nelson, Anthony David, A.S.A., 1967; 93 Cedar Street, Corriemoor, Northcliff, Johannesburg.
- Neogy, Abhijit, A.C.A., 1967; Morley House, Dunstall Avenue, Wolverhampton.
- Nettleton, Malcolm Leslie, B.Sc.(ECON.), A.C.A., 1967; 4 Arnos Grove, Southgate, London N14.
- Nettleton, Rishard Edward D'Arcy, A.C.A., 1967; Flat 6, 22 Hungerford Road, London N7.
- Newman, Robert Neil, A.C.A., 1967; 37A West Town Lane, Bristol 4.
- Newton, Roger, B.A., A.C.A., 1967; 5 Chipstead Lane, Riverhead, Sevenoaks, Kent.
- Nicholas, John Roger, A.C.A., 1967; 'Craig-Y-Deri', Pentrecourt, Llandyssul, Cardiganshire.
- Nunan, Patrick Joseph, A.C.A., 1967; 400 Hanworth Road, Hounslow, Middx.
- Oates, Roger Nelson, A.C.A., 1967; 'Ridge-way', The Baulk, Worksop, Notts.
- O'Connor, Patrick Godfrey, A.C.A., 1967; 54 Kingsley Court, St Paul's Avenue, London NW2.
- Ogle, Malcolm Hugh Melvin, A.C.A., 1967; 19 Stockens Dell, Knebworth, Herts.
- Ogwuma, Paul Ponneya Agbai, B.Sc.(ECON.), A.C.A., 1967; 13 Southwood Avenue, Highgate, London N6.
- Oldroyd, George Martyn, A.C.A., 1967; 'Green Willows', Field Hill, Batley, Yorks.
- Ollis, Graham John, A.C.A., 1967; Magpie Cottage, Welford-on-Avon, Warwicks.
- Oram, John Leonard, A.C.A., 1967; 7 Wickham Lane, Abbey Wood, London SE2.
- Owens, Michael John, A.C.A., 1967; 11 Elderslie Close, Beckenham, Kent.
- Packe, Maxwell Gordon, A.C.A., 1967; 30 Park Parade, Harrogate.
- Palfreman, Stephen Hugh, B.A.(ECON.), A.C.A., 1967; 40 St Jude's Avenue, Mapperley Park, Nottingham.
- Parker, Roger Harvey, A.C.A., 1967; 148 Knowle Lane, Sheffield 11.
- Paroo, Abdul Ismail, B.COM., A.C.A., 1967; 13 Hall Grove, Leeds 6.
- Parsons, Bernard Harold, A.C.A., 1967; 62 London Street, Whitchurch, Hants.
- Penn, Joseph Jonathan, B.COM., A.C.A., 1967; 'Beechcroft', Woodfield Lane, Bell Heath, near Romsley, Worcs.
- Penney, John Hugh, A.C.A., 1967; 29 Alma Square, St John's Wood, London NW8.
- Percival, Philip Robert, A.C.A., 1967; 'Casita', Viewlands Avenue, Westerham Hill, Kent.
- Pescott, John McGregor, A.C.A., 1967; 11 Bondgate Close, Hexham, Northumberland.
- Pettward, Charles, A.C.A., 1967; 'The Studio', Duke's Head Yard, Highgate, London N6.
- Phillips, Anthony Glanville, A.C.A., 1967; Flat 'A', 2 Bell Street, Romsey, Hants.
- Phillips, Peter Frederic, A.C.A., 1967; 'White-gates', Audley Park Road, Bath.
- Phillips, William Stephen, A.C.A., 1967; 151 Musters Road, West Bridgford, Notts.
- Pincus, Barry Martin, A.C.A., 1967; 4 Audley Close, Boreham Wood, Herts.
- Pink, Robert Eric, A.C.A., 1967; 5 Castle Grove, The Park, Nottingham.
- Pintean, Malcolm, A.C.A., 1967; 18A Downbank Avenue, Barnehurst, Kent.
- Plant, John Edward, A.C.A., 1967; 74 Stechford Lane, Birmingham 8.
- Poole, Kevin Lionel, A.C.A., 1967; 69 Seymour Gardens, Cranbrook, Ilford, Essex.
- Pope, Martin Edward, A.C.A., 1967; 25 Uxbridge Road, Stanmore, Middlesex.
- Pott, Derek Raymond, B.A.(COM), A.C.A., 1967; 8 Parkway Close, Irby, Wirral, Cheshire.
- Pounds, Colin George, A.C.A., 1967; 21 Camden Street, Derby.
- Price, John Jeffery, A.C.A., 1967; 29 Salcombe Drive, Morden, Surrey.
- Pritchard, (Miss) Mary Carolyn, B.COM., A.C.A., 1967; 24 Lime Grove, Carmarthen.
- Probert, Clive Michael Douglas, A.C.A., 1967; 'Redcroft', Fairwood, Swansea.
- Proctor, Richard Charles Parkman, A.C.A., 1967; 'Chequerside', Church Hill, Merstham, Surrey.
- Pugh, Michael John, A.C.A., 1967; 78 Beechwood Road, Sanderstead, Surrey.
- Pulley, Christopher Reginald, A.C.A., 1967; 'Merganser' Drakes Drive, Northwood, Middx.
- Puri, Arun Krishan, A.C.A., 1967; 14 Harrington Gardens, London SW7.
- Puri, Raj Kumar, A.C.A., 1967; with Parker, Vicary & Co, 107 Baker Street, London W1.
- Puttock, Denis Frank, A.C.A., 1967; 31 Stone Street, Tunbridge Wells, Kent.
- Radhu, Prem Kumar, A.C.A., 1967; 147 Sutherland Avenue, London W9.
- Ragab, Mohammed Zarrouh, A.C.A., 1967; c/o Libyan University, Benghazi, Libya.
- Rainer, Alan Richard Ivan, A.C.A., 1967; 21 Emperor's Gate, London SW7.
- Raven, Christopher Alan Norman, A.C.A., 1967; 23 Walnut Tree Walk, Ratton, Eastbourne.
- Rawlinson, David Hall, B.COM., A.C.A., 1967; 16 Somerdale Avenue, Heaton, Bolton.
- Rees, David Alun, A.C.A., 1967; 30 Danygraig Drive, Talbot Green, Pontyclun, Glam.
- Rees, Vyvian Walter, A.C.A., 1967; 'Melleray', Lower Road, Cookham, Berks.
- Reeve, John, A.C.A., 1967; 'Crooked Billet', 51 High Street, Leigh-on-Sea, Essex.
- Reeves, Duncan Charles, B.A.(ECON.), A.C.A., 1967; 16 Whitehall Crescent, Chessington, Surrey.
- Reeves, Richard John, A.C.A., 1967; 1 Danesfield, Benfleet, Essex.
- Rennocks, John Leonard, A.C.A., 1967; 141 Stansted Road, Hoddesdon, Herts.
- Renwick, Robert Hugh, A.C.A., 1967; Seaton Hall, Seaham, County Durham.
- Reuben, Nelson, A.C.A., 1967; 102 Bell Lane, Hendon, London NW4.
- Richardson, Denis, A.C.A., 1967; 51 Downham Road, Heaton Chapel, Stockport.
- Riley, Michael Bruce, A.C.A., 1967; 106 Newbury Gardens, Stoneleigh, Epsom, Surrey.
- Robinson, Alvin David, B.A., A.C.A., 1967; 31 Cedarhurst, Tennal Road, Harborne, Birmingham 32.
- Robinson, Jeffrey Norman, A.C.A., 1967; 19 Cranbourn Avenue, Cheadle Hulme, Cheshire.
- Robinson, Michael Christie Royd, A.C.A., 1967; 27 High Drive, New Malden, Surrey.
- Robinson, Peter Graham, A.C.A., 1967; 35 Morville Road, Chorlton-Cum-Hardy, Manchester 21.
- Rodda, Derek Edward, A.C.A., 1967; The Bungalow, Syresham, Brackley, Northants.
- Rodway, Alan James, A.C.A., 1967; 'Woodlands', Norrels Drive, East Horsley, Leatherhead, Surrey.
- Rose, Edward, A.C.A., 1967; 52 Ebers Grove, Mapperley Park, Nottingham.
- Rosenbaum, Richard Alan, B.Sc.(ECON.), A.C.A., 1967; 1 Carlyle Close, London N2.
- Rosenberg, Robert Nigel, A.C.A., 1967; 6 Crawford Avenue, Wembley, Middlesex.
- Rotimi, Joseph Luyi Benedict, A.C.A., 1967; 22 Fairlop Road, Leytonstone, London E11.
- Rowlett, Michael Edward, A.C.A., 1967; 11 White Hart Lane, Portchester, Fareham, Hants.
- Russel, Stewart Roger, A.C.A., 1967; 58 Hollie Lucas Road, Kings Heath, Birmingham 13.
- Sager, Aryeh Mier, A.C.A., 1967; c/o 74 Strathmore Road, Gosforth, Newcastle upon Tyne 3.
- Sansom, Charles Michael Walton, A.C.A., 1967; The Old Rectory, Melsonby, Richmond, Yorks.
- Scott, Charles Roger, A.C.A., 1967; with Mellors, Basden & Mellors, 1 King John's Chambers, Bridlesmith Gate, Nottingham.
- Sear, Hugh Edward, A.C.A., 1967; c/o Turner's Air Agency Ltd, Brecken House, Long Lane, Stanwell, Middlesex.
- Seddon, John, A.C.A., 1967; 16 Grampian Way, Eastham, Wirral, Cheshire.
- Seeley, Roger, A.C.A., 1967; 39 Tollington Way, London N7.
- Selby, David Frederick Maclaren, A.C.A., 1967; Fairways, Roundwood Lane, Haywards Heath, Sussex.
- Shack, Vernon Alan, A.C.A., 1967; Shack & Co, 92 New Cavendish Street, London W1.
- Shanks, Edward Herbert, B.COM., A.C.A., 1967; 13 Rakesmoor Lane, Barrow-in-Furness.
- Shapiro, Philip Mark, A.C.A., 1967; 37 Singleton Road, Salford 7, Lancs.
- Sharp, Barry John, A.C.A., 1967; 9 Dartmouth Road, Hayes, Kent.
- Shaw, David Andrew, A.C.A., 1967; 24 Priory Avenue, Westbury-on-Trym, Bristol.
- Shaw, Roger Malcolm, B.A., A.C.A., 1967; 84 Vaughan Gardens, Ilford, Essex.
- Sheret, William Allen, A.C.A., 1967; 49 Oldford Crescent, Acklam, Middlesbrough.
- Sime, Andrew Charles Moncur, A.C.A., 1967; 'Ridgeways', Rock Road, Storrington, Sussex.
- Simpson, Alan John, A.C.A., 1967; 1 Bridge Street, Glyncoirwg, near Port Talbot, Glam.
- Simpson, David Michael, B.A., A.C.A., 1967; 37 Lancaster Grove, London NW3.
- Singer, Bryan Michael, A.C.A., 1967; 117 Castellain Mansions, Maida Vale, London W9.
- Slater, John Arthur Glascock, A.C.A., 1967; Boundless Farm, Brook, near Godalming, Surrey.
- Slater, John Roger, A.C.A., 1967; 33 Wilkinson Close, Sutton Coldfield, Warwicks.
- Smart, Roger Bernard, A.C.A., 1967; 15 Graham Gardens, Luton, Beds.
- Smith, Bert Eric, A.C.A., 1967; 26 Marlin Square, Abbots Langley, Watford, Herts.
- Smith, Christopher Winston, A.C.A., 1967; 4 Stoke Cottages, Stoke Bishop, Bristol 9.
- Smith, Hugh Martin, A.C.A., 1967; 10 Carnegie Drive, Lakeside, Cardiff.
- Smith, John Stuart, A.C.A., 1967; 17 Chichele Road, London NW2.
- Smith, Roger Anthony Frederick, A.C.A., 1967; R. Smith & Co, Kennel Bank Cottage, Cropthorne, near Pershore, Worcs.
- Smith, Roger Charles, A.C.A., 1967; Flat 9, Biddulph Mansions, Elgin Avenue, Maida Vale, London W9.
- Somaiya, Vinaykant, A.C.A., 1967; 12 Duncombe Hill, London SE23.
- Soper, Brendon Ward, A.C.A., 1967; 17 Tarrs Avenue, Blindwell Park, Kingsteignton, Newton Abbot, South Devon.
- Southby, Richard Henry Alexander, B.A., A.C.A., 1967; 41 Markham Square, London SW3.
- Spurling, Roger David, A.C.A., 1967; 3 Park Close, Hampton, Middlesex.
- Starr, Christopher John, A.C.A., 1967; 11A Ashley Road, Walton-on-Thames, Surrey.
- Steer, Christopher Charles David, B.A., A.C.A., 1967; 166 Delaware Mansions, Delaware Road, London W9.
- Stephenson, John Alfred, A.C.A., 1967; 9 Carlton Road, Benton, Newcastle upon Tyne 12.
- Stevens, David, A.C.A., 1967; 'Avalon', Stourbridge Road, Wombourne, Wolverhampton.
- Stirrup, Jeremy Newsome, A.C.A., 1967; 1 North Houses Lane, Lytham St Annes, Lancs.
- Stockley, Gordon, A.C.A., 1967; 2 Kennerleys Lane, Wilmslow, Cheshire.
- Stockwell, Ralph Alan Owen, B.A., A.C.A., 1967; 112 Elizabeth Avenue, Little Chalfont, Amersham, Bucks.
- Stott, Myles Tweedale, M.A.(ECON.), A.C.A., 1967; 'The Knoll', Windsor Road, Oldham.
- Strickland, Benjamin Vincent Michael, B.A., A.C.A., 1967; 28 Queen's Gate Gardens, London SW7.
- Stride, Ronald William, A.C.A., 1967; Ham Lodge, 18 Orchard Avenue, Shirley, Surrey.
- Sumner, Donald Hugh, A.C.A., 1967; 107 Portland Road, Kingston upon Thames, Surrey.
- Sutton, Alan George, A.C.A., 1967; 50 Duchy Drive, Heaton, Bradford 9.
- Sutton, John Nigel, A.C.A., 1967; 3 St Michael's Avenue, Highworth, Wilts.
- Sze, Robert, A.C.A., 1967; Flat 2, 123 Green-croft Gardens, London NW6.
- Tappin, Andrew Brice, A.C.A., 1967; 'The Pines', Sandy Lane, Cobham, Surrey.

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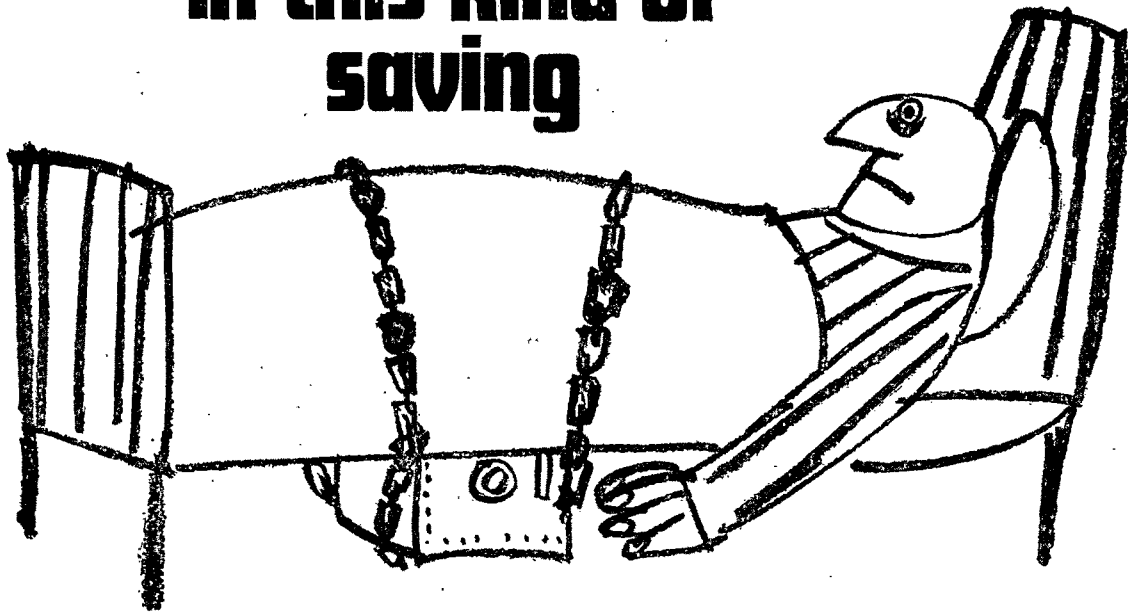
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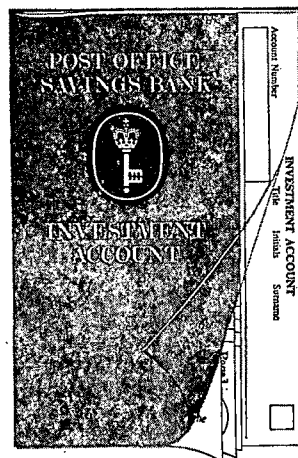


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The only qualification is a deposit of £50 or more in an ordinary POSB Account. And, as you would

expect, one month's notice of withdrawals is required. A leaflet containing further information is available at your Post Office.

There's quite a percentage in an Investment Account.

**Post Office Savings Bank
Investment Accounts**

Tareen, Mohammad Ajmal, A.C.A., 1967; 84 Lakeside Road, Palmers Green, London N13.
 Taylor, (Miss) Shelagh Mary, A.C.A., 1967; 'Bryher', Instow, near Bideford, Devon.
 Thirsk, Peter William, A.C.A., 1967; 149 Coltman Avenue, Beverley, East Yorks.
 Thom, Robert Graeme, A.C.A., 1967; 43 Burlington Road, Sherwood, Nottingham.
 Thomas, John Corris, LL.B., A.C.A., 1967; 67 Poplar Grove, Barnhill Road, Wembley, Middlesex.
 Thomas, Marshall Owen, A.C.A., 1967; 316 Passage Road, Brentry, Bristol.
 Thorlin, William Rickard, A.C.A., 1967; 14A Barclay Road, Fulham, London SW6.
 Thornton, Christopher David, B.COM., A.C.A., 1967; 75 West Park Road, Smethwick, Warley, Worcs.
 Thorpe, Mark Christopher Marriott, M.A., A.C.A., 1967; with Whitney, Murray & Co, 67 Chiswell Street, London EC1.
 Tidd, Howard George, A.C.A., 1967; 185 Mitcham Road, East Ham, London E6.
 Tiffin, Colin Michael, A.C.A., 1967; with Tiffin, Green & Co, 21 New Road, Brentwood, Essex.
 Tiffin, Roy Robert, B.A., A.C.A., 1967; 96 Chelmsford Road, Shenfield, Brentwood, Essex.
 Towers, Alan Victor, A.C.A., 1967; 54 Bullingdon Road, Oxford.
 Tranter, Paul Anthony, B.COM., A.C.A., 1967; 14 Braemar Avenue, Wordsley, near Stourbridge, Worcs.
 Trendell, Derek, A.C.A., 1967; 17 Broadcroft, Chew Magna, Bristol.
 Turnbull, David Alexander, A.C.A., 1967; 15 High Street, Barlborough, near Chesterfield.
 Turnbull, Peter, A.C.A., 1967; 9 Ridgeway, Kensworth, Dunstable, Beds.
 Turner, Edward Michael, A.C.A., 1967; 9 Fairway, Trentham, Stoke-on-Trent.
 Underhill, Raymond, A.C.A., 1967; 8 Prince Alfred Road, Liverpool 15.
 Uwakwe, Patrick Lawrence, A.C.A., 1967; 439 Gidlow Lane, Wigan.
 Vachell, John Annesley, A.C.A., 1967; 'Cliff Dene', Lightcliffe, Halifax.
 Varley, Kenneth Roger, B.COM., A.C.A., 1967; 'Lowcroft', Cowpasture Road, Ilkley, Yorks.
 Veal, Robert Alan, A.C.A., 1967; 1 Heatholt Cottages, Maplehurst, near Horsham, Sussex.
 Verrall, Bernard Peter, A.C.A., 1967; 125 Highdown, Worcester Park, Surrey.
 Viney, Mark Nigel Merriam, A.C.A., 1967; Merlins Hill, Frithsden Copse, Berkhamsted, Herts.
 Viney, Peter Alan, A.C.A., 1967; 98 Dorset Avenue, Romford, Essex.
 Walker, Anthony John, A.C.A., 1967; 19 Albemarle, Wimbledon Park Side, London SW19.
 Walker, David Charles, A.C.A., 1967; 33 Storer Road, Loughborough, Leics.
 Walker, Gavin Russell, A.C.A., 1967; 37 Redgrave Road, London SW15.
 Walker, Michael Frederick, A.C.A., 1967; 'The Cross Keys', South Hinksey, Oxford.
 Wallis, Stuart Michael, A.C.A., 1967; 'Petra', Christchurch Road, Tring, Herts.
 Walsh, Philip James, A.C.A., 1967; 5 Brantwood Road, Bradford 9.
 Warden, David Charles, A.C.A., 1967; 10 Deepdale, Nettleham, Lincoln.
 Warlow, David Protheroe, A.C.A., 1967; 1 Falcon Court, Southfield Road, Westbury-on-Trym, Bristol.
 Watkins, Trevor Albert George, A.C.A., 1967; 15 Nursery Avenue, Bexleyheath, Kent.
 Watson, Alfred Maxwell, A.C.A., 1967; 90 Barley Lane, Goodmayes, Ilford, Essex.
 Watts, Nigel Dudley, A.C.A., 1967; 10 Trowbridge Road, Bradford-on-Avon, Wilts.
 Webster, Charles Neil, A.C.A., 1967; 'Hillcrest', York Lane, Langho, Blackburn.
 Weiner, Alan David, A.C.A., 1967; 35 St Richard's House, Evershot Street, London NW1.
 Weir, John, B.SC.(ECON.), A.C.A., 1967; 1 Springfield Park Road, Chelmsford, Essex.

Wesson, Roger Francis, A.C.A., 1967; c/o 14 Stow Park Crescent, Newport, Mon.
 West, Michael Stuart, A.C.A., 1967; 45 Minchenend Crescent, Southgate, London N14.
 Whaddia, Norman Nusli, A.C.A., 1967; 45 Downwood, Epsom Downs, Epsom, Surrey.
 Whatsley, Anthony Ronald, A.C.A., 1967; 2 Hill Cottages, Landermere Road, Thorpe-Le-Soken, Essex.
 White, John Leslie, A.C.A., 1967; 'Shalvah', Park Lane, Goathurst, Bridgwater, Somerset.
 White, Robert Victor, A.C.A., 1967; 45 Emperor's Gate, Kensington, London SW7.
 Whitehouse, Bryan John, B.SC., A.C.A., 1967; 45 Mill Lane, Knowle, Solihull, Warwicks.
 Whiteman, Paul Roderick, B.A., A.C.A., 1967; 39 Brock Road, Langley Green, Crawley, Sussex.
 Whitwell, Michael, A.C.A., 1967; 17 Lindsay Road, Horfield, Bristol 7.
 Wigley, Peter William, A.C.A., 1967; 6A Oatlands Chase, Weybridge, Surrey.
 Willey, Peter Joseph, A.C.A., 1967; 46 Grange Road, Newcastle upon Tyne 4.
 Williams, Alan Ernest John, B.A.(ECON.), A.C.A., 1967; 'Sheron', Victoria Gardens, Biggin Hill, Kent.
 Williams, Alan Vincent, A.C.A., 1967; 2 Walsingham Road, Enfield, Middx.
 Williams, John Wynne, A.C.A., 1967; 7 Queens House, Queensway, London W2.
 Wills, Nicholas Kenneth Spencer, M.A., A.C.A., 1967; 1 Campden House Terrace, Kensington Church Street, London W8.
 Wilshaw, Simon Nicholas, A.C.A., 1967; 'Orchardene', Pinvin, near Pershore, Worcs.
 Wilson, David, A.C.A., 1967; 13 Black Scotch Lane, Mansfield, Notts.
 Wiltew, Philip Arnold, A.C.A., 1967; South Dene House, Chowdene, Low Fell, Gateshead 9.
 Winders, David Malcolm, A.C.A., 1967; 2 Arlington Court, Gosforth, Newcastle upon Tyne.
 Womersley, Roger Ingham, A.C.A., 1967; 10 Shell Lane, Calverley, Pudsey, Yorks.
 Wong, Peng Lun, B.SC.(ECON.), A.C.A., 1967; 15 Sandringham Road, Golders Green, London NW11.
 Wood, Peter, A.C.A., 1967; 28 Hawkshead Drive, Langley Estate, Middleton, Manchester.
 Wood, Timothy Garbett, A.C.A., 1967; 'Long Meadow', Marthall, Knutsford, Cheshire.
 Woolley, Michael John Desmond, B.A., A.C.A., 1967; 104 Graham Road, Wimbledon, London SW19.
 Wreschner, Michael Montague, A.C.A., 1967; 17 Wykeham Road, London NW4.
 Wright, David Edward, B.SC., A.C.A., 1967; 32 Goldsel Road, Greenacres, Swanley, Kent.
 Wynne, James Donatus, A.C.A., 1967; 14 Cherrywood Park, Loughlinstown, County Dublin.
 Yates, Douglas Martin, B.SC.(ECON.), A.C.A., 1967; 5 Bruton Way, Ealing, London W13.
 Young, John Anthony Marshall, A.C.A., 1967; c/o A. C. Young & Co Ltd, 152 Bradford Road, Dewsbury.

Fellowship

The Council acceded to applications from seventeen associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Members becoming Chartered Accountants

The Council acceded to applications from the following incorporated accountant members to become chartered accountants under bye-laws 128 or 129:

Ghosh, Siddhartha Kumar, F.C.A., Calcutta.
 Huque, Aminul, A.C.A., Dacca, East Pakistan.

Lock, George Andrew Wilberforce, A.C.A., Wendover.
 McRae, Allan Campbell Greig, A.C.A., Johannesburg.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Anguah-Boafao, Benjamin Codjoe, A.C.A., 1965; Jack Davis & Co, 70 Holywell Lane, London EC2.
 Baggott, Martin, A.C.A., 1964; Joseph Crossley & Sons, Barton House, 227 Upper Brook Street, Manchester 13.
 Ball, Kenneth Roland, A.C.A., 1965; Burnett Swayne & Co, 11 Westwood Road, Southampton SO9 1QS.
 Barlow, Raymond Percival, B.A.(COM.), A.C.A., 1965; Barlow & Co, 22 South Drive, Chorlton-cum-Hardy, Manchester 21.
 Baxendale, Harold, A.C.A., 1957; G. H. Scott & Co, 45 Park Square, Leeds 1.
 Bayley, Norman, A.C.A., 1963; Gilchrist, Tash, Wilson & Sansom, Cleveland Buildings, Queen's Square, Middlesbrough, Yorks.
 Bell, Roger Wallace, A.C.A., 1966; 46 St Davids Close, Wembley Park, Middlesex.
 Bird, Anthony Malcolm David, A.C.A., 1967; David Bird, 1 Bayswater Avenue, Bristol 6.
 Bown, Francis Edward, A.C.A., 1966; 123 Mackenzie Road, Beckenham, Kent.
 Bradfield, William Gilbert, F.C.A., 1950; †Turquand, Youngs & Co, 4 Coleman Street, London EC2.
 Brand, Ronald Henry Albert, F.C.A., 1952; Cooper Brothers & Co, P.O. Box 273, Kitwe, Zambia.
 Bucknall, Arthur Herbert, F.C.A., 1928; 25 Normandy House, The Drive, Hove, Sussex.
 Buckworth, Edward William, A.C.A., 1965; Guild, Weaver & Co, Westminster Bank Chambers, Hertford Street, Coventry.
 Burdett, John, A.C.A., 1966; †Hill, Vellacott & Greenslade, Drapery Buildings, The Drapery, Northampton.
 Butler, Peter Hesketh, A.C.A., 1966; 414 Helmsore Road, Helmsore, Rossendale, Lancs.
 Cartwright, Peter Raymond, A.C.A., 1967; 85 Eveson Road, Norton, Stourbridge, Worcs.
 Clark, Robert Edward Arthur, A.C.A., 1961; Guy Walmsley & Co, 1 Duke Street, Wrexham, Denbighshire.
 Cooper, Graham Michael, F.C.A., 1956; Graham M. Cooper & Co, 250 Bay Street, P.O. Box 1471, Nassau, NP Bahamas.
 Cornwell, Richard John, A.C.A., 1960; Cornwell, Greene & Co, Bank Buildings, 20 Kingsway, London WC2.
 Cox, Edward John Machell, M.A., A.C.A., 1961; Brown, Peet & Tilly, 62 London Wall, London EC2.
 Croasdel, William Ward, F.C.A., 1949; Satterthwaite & Pomfret, 187 Stanley Road, Bootle 20, Lancs.
 Cronin, Ronald Brian, A.C.A., 1965; 2 Holly Hill Drive, Banstead, Surrey.
 Cropp, Howard Reginald, A.C.A., 1961; Baker Sutton & Co, Eldon Street House, Eldon Street, London EC2.
 Daish, Peter Raymond, F.C.A., 1952; 40 Pitts Lane, Earley, Reading, Berks.
 Dale, Robert Rigby, A.C.A., 1963; Berry, Weeks & Brooking, Northgate Place, Staple Gardens, Winchester.
 Davies, Thomas, A.C.A., 1958; Sydenham, Snowden, Nicholson & Co, Thorpe House, Broad Street, Hereford.
 Dawkins, Bryan George, A.C.A., 1960; *Watling & Hirst, Pallant Court, 10 West Pallant, Chichester.
 Delamare, Roger Edward, A.C.A., 1966; John Solkhon & Co, Amen Corner House, 206 Mitcham Road, Tooting, SW17.
 Dickerson, Peter James, B.SC.(ECON.), A.C.A., 1961; Brown, Peet & Tilly, 62 London Wall, London EC2.

Dummer, Norman John, A.C.A., 1967; 36 Warren Road, Ickenham, Middlesex.
Dunbar Rees, Ian Eric, A.C.A., 1966; *George H. Rees & Co, 41 Clarence Road, Chesterfield.

Edwards, Dennis David, A.C.A., 1957; 3 Appletree Lane, Spencers Wood, Reading, Berks.

Epstein, Vernon Hugh, A.C.A., 1964; 47 Longland Drive, Totteridge, London N20.

Fairweather, Graham Michael, A.C.A., 1966; R. H. March, Son & Co, Daviot House, Lombard Street West, West Bromwich.

Fawcett, William Thirlwall, A.C.A., 1961; Pannell, Fitzpatrick & Co, 6A Buckle Street, P.O. Box 268, Bathurst, Gambia.

Fowler, Keith Travis, A.C.A., 1967; Longstaff, Gentle & Co, 61 Harpur Street, Bedford.

Gaff, Robert, A.C.A., 1960; Cooper Brothers & Co, Pacific House, 7th Floor, Queens Road Centre, Hong Kong.

Ghosh, Satya Brata, A.C.A., 1959; *Price Waterhouse, Peat & Co, B4 Gillander House, P.O. Box 2238, Calcutta-1, India.

Gold, Henry Patrick, A.C.A., 1962; †Turquand, Youngs & Co, 4 Coleman Street, London EC2.

Gordon, Martyn John, A.C.A., 1965; Gordon & Co, 127 Fortis Green Road, Muswell Hill, London N10.

Greene, Melvyn, F.C.A., 1965; Cornwell, Greene & Co, Bank Buildings, 20 Kingsway, London WC2.

Grenier, John Allen, A.C.A., 1959; Payne, Stone, Fraser & Co, 17 Bedford Row, London WC1.

Grundy, Alan, A.C.A., 1965; Ashby, Berry & Co, 8 Albemarle Crescent, Scarborough.

Hair, Ronald Eric, A.C.A., 1965; J. S. Streets & Co, Tower House, Lucy Tower Street, Lincoln.

Heaney, Francis, A.C.A., 1960; 3 Somerville Road, Chadwell Heath, Romford, Essex.

Hearn, Michael Ernest, A.C.A., 1961; 27 St Mary's Green, Biggin Hill, Kent.

Houghton, William Neil, A.C.A., 1964; †Warriner & Co, 47 Temple Row, Birmingham 2.

Hughes, Richard Arthur, A.C.A., 1962; Wenn, Townsend & Co, 30 St Giles', Oxford.

Irons, Paul Dugan, B.COM., F.C.A., 1935; 26 Well Walk, London NW3.

Jones, Barry William, A.C.A., 1957; H. Heywood & Co, Martins Bank Chambers, Park Green, Macclesfield, Cheshire.

Jones, Hugh, A.C.A., 1966; D. L. Pritchard & Pritchard, 10 Red Street, Carmarthen.

Key, James Andrew, A.C.A., 1967; Church Street, Eyam, near Sheffield.

Lee, Derek Jeffrey, F.C.A., 1948; †Deloitte, Plender, Griffiths, Annan & Co, P.O. Box 187, Blantyre, Malawi.

Lomax, Eric, A.C.A., 1957; Chown & Robins, 58 Morrab Road, Penzance, Cornwall.

Marriott, Henry Elwell, A.C.A., 1965; Leonard M. Gold, 127 Victoria Road North, Southsea, Hampshire.

Matthews, William Paul, A.C.A., 1965; Matthews & Co, 30 Hornbeam Road, Theydon Bois, Essex.

Millen, William Robin Macindoe, A.C.A., 1965; Stewart, Trathen, Miller & Co, 34-38 Church Street, Enfield, Middx.

Morris, Sydney, A.C.A., 1963; *Coopers & Lybrand, P.O. Box 596, Nassau, Bahamas.

Newman, Jack Michael, A.C.A., 1964; Bennett, Nash & Co, 12-13 Richmond Buildings, Dean Street, London W1.

Nicholas, Albert Frank, F.C.A., 1949; 50 Denewood Avenue, Handsworth Wood, Birmingham 20.

Norton, Theodore Michael John, A.C.A., 1957; W. H. Walker & Co, 42 Castle Street, Liverpool 2.

O'Connor, Edward Derek, F.C.A., 1947; 43 Middlewich Road, Holmes Chapel, Crewe, Cheshire.

Packer, William Alfred, A.C.A., 1958; 12 Greenway, Harpenden, Herts.

Parkin, John Robert, A.C.A., 1965; Hammerton & Criddle, Old Bank Buildings, High Street, Rotherham, Yorkshire.

Pilbrow, Nicholas David, A.C.A., 1967; 34 Edge Street, London W8.

Pinnock, Roy Douglas, F.C.A., 1956; W. J. Gilbert & Co, 118A London Wall, Moorgate, EC2.

Pope, William Michael John, A.C.A., 1957; Bicker, Son & Dowden, Hinton Buildings, Hinton Road, Bournemouth, Hants.

Quickfall, John Edward Holgate, A.C.A., 1960; Whinney, Murray & Co, Yorkshire House, Greek Street, Leeds 1.

Reed, James Everard, A.C.A., 1959; 128 Mildmay Road, Chelmsford, Essex.

Roberts, John Laing, M.A., A.C.A., 1967; John A. Roberts & Co, 28 Glumangate, Chesterfield.

Robson, Brian, F.C.A., 1956; *Gardner & Co, 204 10619-124 Street, Edmonton, Alberta, Canada.

Rogers, Michael John, A.C.A., 1964; *Norden & Co, 97 Mortimer Street, Langham Place, London W1.

Sandford, William, A.C.A., 1966; F. F. Leach & Co, Stafford House, Norfolk Street, London WC2.

Saunders, Michael Peter, A.C.A., 1967; Saunders & Co, 19 Broad Common Estate, London N16.

Saywell, John Anthony Telfer, A.C.A., 1964; Fincham, Vallance & Co, 3 & 4 Clement's Inn, Strand, London WC2.

Seaborn, Edward Kenneth, F.C.A., 1949; J. S. Streets & Co, Tower House, Lucy Tower Street, Lincoln.

Serlui, Leslie, A.C.A., 1965; 39 St Andrew's Drive, Stanmore, Middx.

Siviter, David Hubert John, A.C.A., 1963; *Bocresion, Butler & Co, P.O. Box 825, Addis Ababa, Ethiopia.

Solomons, Stanley Philip, B.SC.(ECON.), A.C.A., 1963; 100 Emsleigh Avenue, Kenton, Harrow, Middx.

Steptoe, Reginald Peter, A.C.A., 1966; 51 Walcot Square, Kennington, London SE11.

Sturt, Brian, A.C.A., 1957; Charles Comins & Co, 50 Cannon Street, London EC4.

Tatar, Roustem Zihni, B.A., F.C.A., 1955; 11 Hasene Ilgas Street, Nicosia, Cyprus.

Trivedi, Vinod Shivprasad, A.C.A., 1965; Vinod Trivedi & Co, Chichester House, Chichester Rents, Chancery Lane, London WC2.

Truman, Humphrey Edwin, A.C.A., 1958; 10 Snakes Lane, Woodford Green, Essex.

Ware, Francis John, A.C.A., 1962; Wenn, Townsend & Co, 30 St Giles', Oxford.

Ware, John Robin, F.C.A., 1953; 48 Malden Road, New Malden Surrey.

Winn, Ronald Guy, A.S.A.A., 1961; Scot-Russell, Murray & Pugh, P.O. Box 437, Bulawayo, Rhodesia.

Woolhouse, Terence Harry Lawrence, A.C.A., 1961; Hereward, Scott, Davies & Co, Hillside House, 2-6, Friern Park, London N12.

Yuill, George William, A.C.A., 1960; Rowley, Pemberton, Roberts & Co, 115-117 Cannon Street, London EC4.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr John Michael Adams, M.B.E., F.C.A., Mexico City.

„ Walter Addison, F.C.A., Wembley.

„ William Herbert Arden, F.C.A., Southampton.

„ Herbert Walter Bagge, F.C.A., London.

„ Henry Francis Olive Bence, I.S.O., F.C.A., Isleworth, Middx.

„ Bernard Biddle, F.C.A., Iver, Bucks.

„ Hubert Cleverley Bladen, F.C.A., Stoke-on-Trent.

„ Geoffrey Charles Bloss, F.C.A., Dorking.

„ William Boltman, F.C.A., Port Elizabeth, South Africa.

„ Frank Hilton Brown, F.C.A., Burnley.

„ Nigel Patrick Vivian Brown, A.C.A., Woking.

„ Henry Ewan Cooil, F.C.A., Onchan, I.O.M.

„ Benjamin Davies, F.C.A., Abergavenny, Mon.

„ Harold William Denman, F.C.A., Nottingham.

„ Frederick Hubert Duckett, F.C.A., Leeds.

„ Herbert Henry Fielding, F.C.A., Paignton.

„ John Dunn Finchett, F.C.A., London.

„ Lawrence Hewgill Findlay, F.C.A., London.

„ George Parker Fletcher, F.C.A., Cheadle, Cheshire.

„ Henry John Gittings, F.C.A., Cheltenham.

„ Frank Henry Albert Gittins, F.C.A., Torquay.

„ Donald Solomon Gorer, O.B.E., F.C.A., London.

„ Edgar Joseph Grande, F.C.A., Worthing.

„ Norman Denis Grundy, F.C.A., Tunbridge Wells.

„ Leslie Jennison, F.C.A., Beaconsfield, Bucks.

„ Noel Evan Oakeshott Jones, F.S.A.A., Durban, S. Africa.

„ Victor Alfred Douglas Kent, F.C.A., London.

„ Herbert Charles Lambert, F.C.A., London.

„ Oscar John Lightfoot, F.C.A., Southport, Lancs.

„ Norman Spencer Mumby, M.B.E., F.C.A., Birkenhead.

„ Douglas McCready, F.C.A., Billingham, Co Durham.

„ Gervase William Nicholson, T.D., B.A., F.C.A., Colyton, Devon.

„ Gordon Ernest Noyce, F.S.A.A., Durban, S. Africa.

„ Frederick William Picken, F.C.A., Birmingham.

„ William Roberts Pullen, F.C.A., Wallington, Surrey.

„ Cyril Simon Raine, F.C.A., London.

„ Bertram Cecil Rigby, F.C.A., Huddersfield.

„ Richard Thorneycroft Salt, F.C.A., Birmingham.

„ Charles Rodway Shaw, F.C.A., London.

„ Francis Wolfe Slattery, F.C.A., Maidenhead.

„ Bernard Frank Stables, F.C.A., Folkestone.

„ Robert Reginald Stewart, F.C.A., Heston, Cheshire.

„ Duncan Charles Straughen, F.C.A., Princetown, Devon.

„ Horace William Surridge, F.C.A., Oswestry, Salop.

„ Richard Montagu Arnold Sutton, F.C.A., Banstead, Surrey.

„ Ronald Bertram Taylor, F.C.A., Johannesburg, S. Africa.

„ Reginald Turner Tiplady, F.C.A., London.

„ Cecil James Vane, F.C.A., Birmingham.

„ Francis Arthur Walker, F.C.A., Birmingham.

„ Geoffrey Hollings Whitworth, F.C.A., London.

„ Alan Dinsdale Young, F.C.A., New Malden.

Readmissions to Membership

Subject to payment of the amounts required by the Council, seven former members of the Institute were readmitted to membership under clause 23 of the supplemental Royal Charter and three former members under byelaw 38.

**FINDINGS AND DECISIONS OF THE
DISCIPLINARY COMMITTEE***Findings and Decisions of the Disciplinary Committee of the Council of
the Institute at hearings held on July 5th, 1967***Overdue subscriptions**

In addition to similar complaints on which the Findings and Decisions have already been reported, the Disciplinary Committee of the Council of the Institute heard seven complaints preferred by the Investigation Committee of the Council, each to the effect that the member concerned had failed to pay within four months of January 1st, 1967, the subscription then due and payable by him, so as to render himself liable to be excluded or suspended from membership of the Institute or to be

reprimanded or admonished. The Committee found the complaint proved in every case and ordered that each of the seven members be excluded from membership unless by specified dates the subscriptions respectively the subject of the formal complaints had been received, and the Committee further ordered that in the event that the foregoing Decisions did not take effect, three of the members be reprimanded, four of the members be admonished, and that there existed in all cases circumstances which justified the omis-

sion of the name of the member from the publication of the Finding and Decision. Five of the seven subscriptions were received in the period allowed and the following Decisions have therefore become effective:

- (a) *Excluded from membership with effect from August 31st, 1967*
Arumugam Vairamuttu Murugiah,
A.C.A., 64B Lauries Road, Colombo
4, Ceylon.
William Frederick Stanley Toop,
F.C.A., 265 High Street, St Mary
Cray, Kent.
- (b) *Reprimanded*
Two members.
- (c) *Admonished*
Three members.

**FINDINGS AND DECISIONS OF THE
DISCIPLINARY COMMITTEE***Findings and Decisions of the Disciplinary Committee of the Council of
the Institute at hearings held on August 2nd, 1967*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21 sub-clause (3) of the supplemental Royal Charter in that he signed the Accountant's Certificate required by Section 30 of the Solicitors Act 1957 relating to the practice of a solicitor for the accounting period January 1st, 1962, to December 31st, 1962, which he knew or which he ought to have known was not correct, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint had been proved and the Committee ordered that the member be reprimanded but considered that there existed special circumstances justifying the omission of his name from the

publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21 sub-clause (3) of the supplemental Royal Charter in that he signed the Accountant's Certificate required by Section 30 of the Solicitors Act 1957 relating to the practice of a solicitor for the accounting period January 1st, 1963, to December 31st, 1963, which he knew or which he ought to have known was not correct, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint had been proved and the Committee

ordered that the member be reprimanded but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an articulated clerk whilst serving under articles to a fellow of The Institute of Chartered Accountants in England and Wales was on February 20th, 1967, at a Magistrates Court convicted of a charge of stealing one transistor radio valued at £7 from a dwelling-house and was fined £15, so as to render himself liable to be declared unfit to become a member of the Institute or to have the registration of his articles of clerkship suspended for a period not exceeding two years or to be reprimanded or admonished. The Committee found that the formal complaint had been proved and the Committee ordered that the articulated clerk be admonished but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

**FINDINGS OF THE DISCIPLINARY COMMITTEE AND
DECISIONS OF THE APPEAL COMMITTEE***Findings of the Disciplinary Committee of the Council of the Institute at
hearings held on July 5th, 1967 and Decisions of the Appeal Committee
of the Council of the Institute at hearings held on September 5th, 1967*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Harry Copland, a member of the Institute, had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year

1967 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Disciplinary Committee found that the formal complaint against Harry Copland,

F.C.A., had been proved, and on an Appeal against the Decision of the Disciplinary Committee the Appeal Committee, varying the Decision of the Disciplinary Committee, ordered that, unless a remittance of the subscription the subject of the formal complaint be received on or before October 31st, 1967, Harry Copland, F.C.A., of 1417 Birchview Drive, Lorne Park, Port Credit, Ontario, Canada, be excluded from membership of the Institute or, if the said remittance be received on or before October 31st, 1967, that the said member be reprimanded. The remittance was received before the specified

date and the Decision that the said member be reprimanded therefore became effective.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year 1967 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Disciplinary Committee found that the formal complaint had been proved, and on an Appeal against the Decision of the Disciplinary Committee the Appeal Committee, varying the Decision of the Disciplinary Committee, ordered that, unless a remittance of the subscription the subject of the formal complaint be received on or before October 31st, 1967, the said member be excluded from membership of the Institute or, if the said remittance be received on or before October 31st, 1967, that the said member be admonished and that, in the latter event, there existed special circumstances which justified the omission of his name from the publication of the Finding and Decision. The remittance was received before the specified date and the Decision that the said member be admonished therefore became effective.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year 1967 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Disciplinary Committee found that the formal complaint had been proved, and on an Appeal against the Decision of the Disciplinary Committee the Appeal Committee, varying the Decision of the Disciplinary Committee, ordered that, unless a remittance of the subscription the subject of the formal complaint be received on or before October 31st, 1967, the said member be excluded from membership of the Institute or, if the said remittance be received on or before October 31st, 1967, no action be taken and that, in the latter event, there existed special

circumstances which justified the omission of his name from the publication of the Finding and Decision. The remittance was received before the specified date and the Decision that no action be taken therefore became effective.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute, had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year 1967 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Disciplinary Committee found that the formal complaint had been proved, and on an Appeal against the Decision of the Disciplinary Committee the Appeal Committee, varying the Decision of the Disciplinary Committee, ordered that the said member be admonished and decided that there

existed special circumstances which justified the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year 1967 for four months after the same had become due, so as to render himself liable under Clause 21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Disciplinary Committee found that the formal complaint had been proved, and on an Appeal against the Decision of the Disciplinary Committee the Appeal Committee, varying the Decision of the Disciplinary Committee, ordered that no action be taken and decided that there existed special circumstances which justified the omission of the member's name from the publication of the Finding and Decision.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute at a hearing held on September 5th, 1967

The Appeal Committee heard an Appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Arthur Charles Eldridge Ferguson, a member of the Institute, had failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and bye-law 41 in respect of the year 1967 for four months after the same had become due, so as to render himself liable under Clause

21 (7) of the supplemental Royal Charter to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Arthur Charles Eldridge Ferguson, F.C.A., had been proved and the Committee affirmed the Decision of the Disciplinary Committee that Arthur Charles Eldridge Ferguson, F.C.A., of 13 Cholmeley Lodge, Highgate Hill, London N6, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accountability in government departments, public corporations and public companies: an introduction; edited by R. W. Ennis. 1967. (Lyon, Grant and Green, 27s 6d.)
Accounting in Modern Form; by S. A. Greenman. 1966. (Macmillan & Cleaver, 30s.)
Accounting Requirements of the Companies Acts; by A. G. Touche, F.C.A. 1967. (Butterworths, 25s.)
Advanced Consolidation of Financial

Statements; by H. S. Cilliers and S. Rossouw. Durban. 1967. (Butterworths, 50s.)
Benham's Economics; a general introduction; by F. Benham; 8th edn. by F. W. Paish. 1967. (Pitman, 27s 6d.)
Cases on the Law of Torts; by C. A. Wright; 4th edn. 1967. (Butterworths, 78s.)
The Companies Act 1967; by T. M. Wedderburn. 1967. (Sweet & Maxwell, 27s 6d.)

Prize-giving Ceremony

THE President, Mr W. E. Parker, C.B.E., F.C.A., presented prizes and certificates of merit to successful candidates in the March and May examinations at a ceremony held in the Livery Hall of Guildhall on Wednesday of last week.

In the course of his address the President said: This is a very happy day for all of us, for you prize winners who come to collect your awards, for us who are at this top table to represent the Institute and hand them over, and for you parents, relatives and perhaps girl friends – I do not know – who have been able to come to share in the ceremony and in the enjoyment which we are all feeling.

It is a common impression of chartered accountancy that it is the most dry as dust affair – impersonal, inhuman. One meets people who have an almost Dickensian idea of what we do. Visions of shortsighted elderly gentlemen, poring over figures in dusty ledgers in dark corners, with a quill pen. But I hope that the prize winners have already discovered, and if not I hope that they very soon will, that figures are only the language in which the results of our work are expressed and that so much of our job is concerned with people as human beings. Two of our main tasks are first to interpret to human beings the consequences of actual or prospective decisions taken by human beings in human circumstances. And the second is to communicate with human beings in a language which an ordinary man can reasonably hope to understand. To do that one has got to understand and be able to assess human character, human motives, human virtues and human failings, and above all the way in which the minds of human beings work. We deal in the main not with abstract problems and inanimate things but with living, lively undertakings and with real live people. It is necessary therefore that chartered



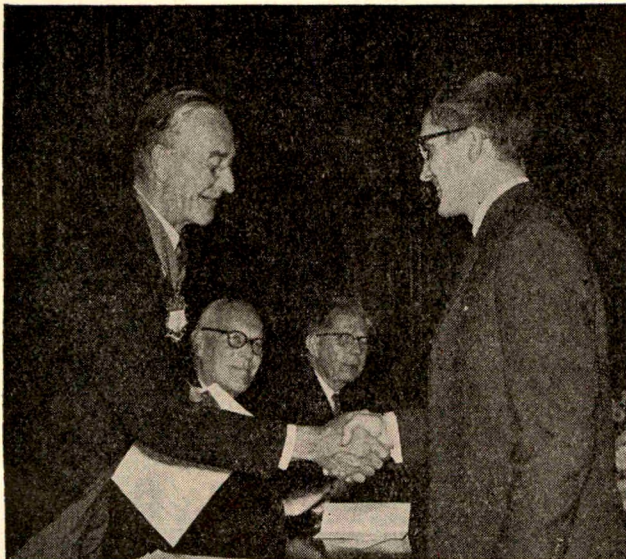
Mr R. A. Hutton, son of the former England cricket captain, Sir Leonard Hutton, was one of the prize winners in Part I of the Final examination, and is congratulated by the President.

accountants should be first and foremost human beings themselves, and I hope that in meeting representatives of the Council, some of them at this table and some of them sitting with you, you will find that we are indeed human beings with human feelings and possibly human virtues and not at all the bloodless calculating machines of popular belief.

The prize winners will be identified for you as their names are called out to come up and collect their awards, but I should perhaps introduce to you those of us representing the Institute who are sitting up here at this top table. On my right is Mr Stanley Dixon, who is the Deputy President, and on his right Mr Evan-Jones, who is the Secretary of the Institute. On my left is Mr R. G. Leach, who is the Vice-President, and at the end is a very important person, Mr J. V. Eastwood, chairman of the Examination Committee. I should like also to identify the parents, relatives and girl friends who are here but that would take too long. May I say to all of you how welcome you are.

Keeping to the note about humanity, I want all of you to understand that admission to the Institute of Chartered Accountants is admission to membership of an association of lively, delightful people, who compete with one another (and very properly so) as individuals but who are united through their membership as professional colleagues with common ideals, common high ethical standards and a singularity of purpose. For you prize winners who have entered or will very shortly be entering membership of the Institute I would like to give you the priorities in this order. First, service to the community, that is the prime object of any worth-while profession and it is the prime object of our profession. Secondly, to serve the profession and this Institute, and that includes help to one's fellow members; in that respect the brotherhood of membership comes very much into being. And last, very much last of all, comes personal gain and personal benefit.

I would like to say finally to the prize winners what a tremendous pleasure it is for us that on this occasion, which happens twice a year, we can enable their parents, relations and friends to come and join with us in a particularly happy occasion and ceremony.



The President congratulates Mr A. D. England, of Bristol, who won First Place, the W. B. Peat Medal and Prize, the Howitt Prize and the Deloitte-Plender Prize for the paper on Advanced Accounting – III in Part II of the May Final examination.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ANDERSON, THOMAS, FRANKEL, Chartered Accountants, of Park Place, London SW1, and Messrs V. R. ANDERSON & SON, Chartered Accountants, of Conway and Colwyn Bay, announce the retirement of their senior partner Mr VICTOR RONALD ANDERSON, F.C.A., whose services remain available to both firms as a consultant. Mr ANDERSON continues as managing director of Caer Rhun Hall Ltd, which is shortly to be converted into an unlimited company, and chairman of Programmed Texts & Teaching whose registered offices are at Caer Rhun Hall.

MESSRS APPLEBY & WOOD, Chartered Accountants, of 47 Peter Street, Manchester 2 and Victoria House, Southampton Row, London WC1, announce that Mr ROYCE BATTERS, A.C.A., and Mr PETER LEWIS DOWSON, A.C.A., were admitted into partnership on October 1st, 1967.

MESSRS AUSTRAL RYLEY & CO, Chartered Accountants, of Central Chambers, Bearwood Road, Smethwick, Warley, Worcestershire, announce that on October 2nd, 1967, they admitted into partnership Mr C. L. CLARK, C.A., previously in practice at the same address, and Mr E. GILBERT HUDSON, F.C.A., previously in practice at 1 Newhall Street,

Birmingham 3, whose practices have been merged with that carried on by Messrs AUSTRAL RYLEY & CO. On the same day, Mr C. L. CLARK, C.A., and Mr E. GILBERT HUDSON, F.C.A., also became partners in the associated firm, Messrs WILFRED TULLETT & CO, Chartered Accountants, of District Bank Chambers, 17 Bridge Street, Evesham, Worcestershire.

MESSRS TREVOR BROWN & ADAM and COOPERS & LYBRAND, Chartered Accountants, announce that they have opened a branch office at the Thompson Building, Georgetown, Grand Cayman, with Mr BRIAN G. HARDING, A.C.A., as resident manager.

MESSRS MAURICE E. BULLEY & CO, announce that their address is now 69-71 Lincoln Road, Peterborough. Telephone Peterborough 69494.

MESSRS COOPERS & LYBRAND announce that they are now represented in Austria by the firm of TREUHAND-UND BERATUNGSGESELLSCHAFT MBH, WIRTSCHAFTSPRÜFUNGS- UND STEUERBERATUNGSGESELLSCHAFT, Rooseveltplatz 2-5 Vienna IX, Austria.

MR H. GRAHAM HOUSE, M.A., PH.D., F.A., M.B.I.M., announces that in partnership with Mr C. R. BOAST he has acquired the accountancy practice of R. K. MATTHEWS & CO, of 124 Hanworth Road, Hounslow. The practice will be continued under the style and title of KINGSLEY MATTHEWS & CO, at 174-176 High Street, Hounslow, Middlesex. Telephone 570-0088 (8 lines).

MESSRS LANDAU, MORLEY & SCOTT announce the retirement, due to ill health, of Mr S. A. G. RUST, F.A.C.C.A., with effect from July 31st, 1967.

MESSRS J. NICHOLSON & CO, Chartered Accountants, of 67 Newland, Lincoln, announce that as from October 1st, Messrs ERIC R. BEE, A.C.A., DAVID L. HIBBS, A.C.A., TIMOTHY G. KELSEY, A.C.A., and DERRICK W. GRAYSON, A.C.A., have been admitted to partnership.

MESSRS PIKE, RUSSELL & CO, Chartered Accountants, of London and Chelmsford, announce that they have

amalgamated their practice with that of Messrs TOY, CAMPBELL & BARLOW, Chartered Accountants, of 54 New Street, Chelmsford, Essex, and that Mr ROBERT BARLOW, V.R.D., F.C.A., has joined the firm as a partner.

MR A. ROSSER, F.C.A., announces that as from October 1st, 1967, he has entered into association with Messrs SMAILES, HOLTBY & GRAY, Chartered Accountants, of Hull, and from that date, Mr R. C. COPEMAN, F.C.A., and Mr C. N. BRUCE, F.C.A., two of the partners of SMAILES, HOLTBY & GRAY, will become partners with him in Burton upon Trent. This new firm will practise under the name of ROSSER, SMAILES & Co, at 78 Derby Street, Burton-on-Trent.

MESSRS SILVER, ALTMAN & CO, Chartered Accountants, of London, announce that Mr PHILIP B. MENDEL, A.C.A., who has been a senior member of their staff for some time, has been admitted to partnership as from October 1st, 1967.

Appointments

Mr W. Brining, F.C.A., assistant managing director of Imperial Aluminium Co Ltd, has acted on medical advice and resigned from the board of the company and its subsidiaries after thirty years' service in the group.

Mr R. A. Burnet, C.A., chief accountant of Hilger & Watts Ltd, has been appointed secretary of the company.

Mr Eric J. Crook, F.C.A., financial director of Pyrene Co Ltd, has become a director of Chubb & Son Ltd following the merger of the two companies.

Mr T. L. Edwards, F.C.A., has been appointed group managing director of John Shaw & Sons (Wolverhampton) Ltd.

Mr C. J. Peyton, F.C.A., has been appointed to the board of Rover Co Ltd.

Mr Frederick J. Vassali, F.C.A., has been appointed an additional director of Peter Dixon & Son (Holdings) Ltd.

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REVALUATION OF ASSETS

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DOUBLE TAXATION**United Kingdom - Belgium**

The Double Taxation Convention between the United Kingdom and Belgium, which was signed on August 29th, was published on October 2nd as a Schedule to a draft Order in Council.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**List of Members 1968**

Members of the Institute are reminded that the latest date for the receipt of changes of address and other details for inclusion in the 1968 *List of Members* is November 1st, 1967.

Technical Advisory Committee

The 151st meeting of the Institute's Technical Advisory Committee was held in the Council Chamber at City House, 56-66 Goswell Road, London EC1, on Wednesday, September 27th, 1967. There were present:

Mr L. H. Clark (in the Chair), Messrs G. F. Appleton, R. B. Arrowsmith, B. E. Basden, M. T. R. Brookman, B. H. Buckley, D. C. Burling, M. A. Charlton, D. A. Clarke, P. G. Craven, T.D., N. J. Edwards, W. F. Edwards, A. C. Essex, C. R. P. Goodwin, W. S. Hayes, A. W. Howitt, A. P. Hughes, W. T. Hunter, M.B.E., H. B. Huntington-Whiteley, D. J. Ironside, E. D. London, G. Maer, D. Napper, E. J. Newman, E. R. Nicholson, R. D. Pearce, T. B. Pritchard, B. G. Rose, H. G. Sergeant, M. Sheppard, F. A. Sherring, K. R. Stanley, R. H. Taylor, G. Thompson, T. I. F. Tod, G. S. Warburg and J. A. P. Whinney, with Mr G. A. Slator, Secretary to the Committee.

Membership

The Committee congratulated Mr E. J. Newman on his appointment to the Council of the Institute.

The Committee expressed its appreciation of the services of the following members who would be retiring from the Committee at the

conclusion of their term of office on September 30th, 1967:

Messrs J. A. Allen, P. J. Cavanna, A. R. English, W. S. Hayes, A. W. Howitt, J. Lunch, E. J. Newman, C. J. Peyton and L. R. Turner.

The following appointments to membership of the Committee for the year commencing October 1st, 1967, were reported:

Nominated by the Council: Messrs D. C. Burling, F.C.A., M. A. Charlton, F.C.A., L. H. Clark, F.C.A., D. A. Clarke, LL.B., F.C.A., W. F. Edwards, F.C.A., N. C. Elliott, M.A., F.C.A., E. R. Nicholson, F.C.A., J. Perfect, F.C.A., T. B. Pritchard, F.C.A., A. G. Thomas, F.C.A., G. H. Vieler, F.C.A. and J. A. P. Whinney, F.C.A.

Nominated by District Societies: *Birmingham:* Messrs H. B. Huntington-Whiteley, F.C.A. and B. G. Rose, F.C.A. *East Anglia:* Messrs E. G. Hill, F.C.A. and R. H. Taylor, F.C.A. *Hull:* Messrs G. Maer, F.C.A. and H. G. Sergeant, F.C.A. *Leeds:* Messrs B. H. Buckley, B.A., A.C.A. and N. Smith, F.C.A. *Leicester:* Messrs G. L. Aspell, T.D., D.L., F.C.A. and G. Thompson, F.C.A. *Liverpool:* Messrs G. F. Appleton, A.C.A. and T. I. F. Tod, F.C.A. *London:* Messrs B. D. Barton, M.A., F.C.A., B. E. Basden, M.A., F.C.A., C. I. Bostock, M.A., F.C.A., Miss M. Fox, F.C.A. and Mr D. R. Gray, F.C.A. *Manchester:* Messrs M. J. Croll, A.C.A. and F. A. Sherring, F.C.A. *North West:* Messrs R. B. Arrowsmith, F.C.A. and K. R. Stanley, F.C.A. *Northern:* Messrs N. J. Edwards, M.A., F.C.A. and R. Lovely, F.C.A. *Nottingham:* Messrs E. D. London F.C.A. and R. F. Prior, F.C.A. *Sheffield:* Messrs R. Firth, J.P., F.C.A. and M. Sheppard, F.C.A. *South Eastern:* Messrs C. R. P. Goodwin, F.C.A. and W. T. Hunter, M.B.E., F.C.A. *South Wales:* Messrs R. P. Brown, F.C.A. and G. M. Metcalf, F.C.A. *Southern:* Messrs A. C. Essex, F.C.A. and R. D. Pearce, F.C.A. *West of England:* Messrs G. Bar, F.C.A. and D. J. Ironside, F.C.A.

Co-opted by the Technical Advisory Committee: Messrs M. T. R. Brookman, F.C.A., P. G. Craven, T.D.,

F.C.A., K. J. Hilton, F.C.A., A. P. Hughes, F.C.A., D. Napper, F.C.A., A. L. Pitman, F.C.A., D. W. Pursglove, F.C.A. and G. S. Warburg, F.C.A.

Chairman and Vice-Chairman

It was reported that the Council had appointed Mr B. G. Rose, F.C.A. and Mr H. G. Sergeant, F.C.A., Chairman and Vice-Chairman respectively of the Technical Advisory Committee for the year commencing October 1st, 1967. These appointments were warmly welcomed by the Committee.

Mr L. H. Clark

The Committee expressed unanimous thanks to Mr L. H. Clark, Chairman for 1966-67, on the conclusion of an important and successful year of office.

Future meetings

Meetings of the Committee were arranged for Wednesday, November 8th, 1967 and Thursday, January 11th, 1968.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The first evening meeting of the London and District Society of Chartered Accountants for the present session will be held next Thursday, October 19th, at the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4, at 5.45 p.m., when the speaker will be Mr D. Dawes, F.A.C.C.A., F.T.I.I., on 'Taxation of leases and premiums'.

Luncheon Meeting

The first luncheon meeting of the session will take place on the following Tuesday, October 24th, at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m. The guest speaker will be Sir Bruce Fraser, K.C.B., Comptroller and Auditor-General.

HOLBORN DISCUSSION GROUP

A meeting of the Holborn Group of the London and District Society of Chartered Accountants will be held on Wednesday next, October 18th, when Mr W. J. Hopper, of S. G. Warburg

The Companies Act 1967, section 16

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& Co Ltd, will open a discussion on 'Company investigations'.

Group meetings are held on the third Wednesday of the month at 6 for 6.30 p.m. at the Hotel Russell, Russell Square, London WC1. For further information about the Group, readers should contact Mr Brian M. Currie, M.A., A.C.A., c/o Arthur Andersen & Co, St Alphage House, 2 Fore Street, London EC2.

REVENUE PAPER

Michaelmas Sittings 1967

The following cases are down for hearing during the Michaelmas Sittings 1967:

HOUSE OF LORDS

C.I.R. v. Holmden and others
Gartside and another v. C.I.R.
C.I.R. v. Carron Co

COURT OF APPEAL

Pook v. Owen

HIGH COURT (Chancery Division)

W. J. Joscelyne Ltd v. Ellis
Tyrells (Builders Merchants) Ltd v. Ellis
The Queen and The Commissioners for the General Purposes of the Income Tax Acts for the Division of Havering *ex parte* William Salmon. Originating Motion.
Murgatroyd v. Godson
Edwards v. Warmsley Henshall & Co
C.I.R. v. McMillan
Roberts v. W. S. Electronics Ltd
C.I.R. v. Milton Concrete (Kent) Ltd
Minshall v. Jobling
Frost v. Sunlight
Bowater Paper Corporation Ltd v. Murgatroyd
Bowater Paper Corporation Ltd v. C.I.R.
Wrigley v. Ward
Rose & Co (Wallpaper and Paints) Ltd v. Campbell
Littlewoods Mail Order Stores Ltd v. McGregor
Littlewoods Mail Order Stores Ltd v. C.I.R.
O'Leary v. Vassilis Kakouris and Barbara Kakouris (t/a K. Vassos & Co)

Stephenson v. Payne, Stone, Fraser & Co
Clixby v. Pountney
C.I.R. v. The Land Securities Investment Trust Ltd
C.I.R. v. K. Hague
W. T. Hague v. C.I.R.
Westward Television Ltd v. Hart
Rodwell Securities Ltd v. C.I.R.
Bannerman v. Special Commissioners of Income Tax. Originating Motion.
Lupton v. F. A. & A. B. Ltd
Bell v. Simmons

CHARTERED ACCOUNTANTS' HOCKEY CLUB

Annual Meeting

The annual general meeting of the Chartered Accountants' Hockey Club was held in London on September 28th, with the President, Mr C. O. Merriman in the chair. There was an attendance of eighteen members, and the Secretary reported a fairly successful season for results, which included the first win over the Law Society for five years.

The principal officials elected for 1967-68 were:

President: Mr C. O. Merriman.
Hon. Secretary and Treasurer: Mr A. J. Hines, Church Cottage, Stratford St Mary, near Colchester.
Hon. Fixture Secretary: Mr G. Robson, 39 Sydenham Rise, Forest Hill, London SE23.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

SUNDAY, OCTOBER 15th.

Squash match against the East Anglian Students' Society, at Ipswich.

TUESDAY, OCTOBER 17th.

Meeting of the Committee of the Society.

THURSDAY, OCTOBER 19th.

First of the three two-day courses, this one on 'Management control techniques'; course programme as follows:

10.00 'Business structure and information flow', by A. P. Ravenhill, F.C.A., Director of Finance and Administration, Forte's (Holdings) Ltd.

11.15 Coffee.

11.30 'Standard and marginal costing', by F. T. Hunter, F.C.A., J.DIP.M.A., Robson, Morrow & Co.

12.45 Lunch.

2.15 'Control by exception', by Gordon L. Taylor, M.A., C.A., Head of Profits and Forecasts Section, Treasurer's Dept, Imperial Chemical Industries Ltd.

3.30 Tea.

3.45 Summary and discussion of the day's subjects.

FRIDAY, OCTOBER 20th.

10.00 'Inventory control and production planning', by F. H. King, F.C.A., Principal Manager, Price Waterhouse & Co.

11.15 Coffee.

11.30 'Network analysis', by Christopher Burr, A.C.A., Mann Judd & Co.

12.45 Lunch.

2.15 'Network analysis' (continued).

3.30 Tea.

3.45 Summary and discussion of the day's subjects.

FRIDAY, OCTOBER 20th.

Meeting of the new Bridge Society, 6 p.m. in the common room, 43 London Wall.

New Bridge Society

The inaugural meeting of the new Bridge Society of the London Students' Society was held at 43 London Wall on September 15th, when it was decided that a bigger effort should be made to encourage others to come along. It was proposed that membership of the society should be extended to past and present members of the Students' Society, and that non-members of the Society who were members of the Institute would be very welcome. The next meeting is to be held in the Common Room at 43 London Wall, on Friday, October 20th, when all members of the Institute and the London Students' Society will be welcome. The captain of bridge is Mr C. J. Walton, to whom all inquiries should be addressed c/o the Society.



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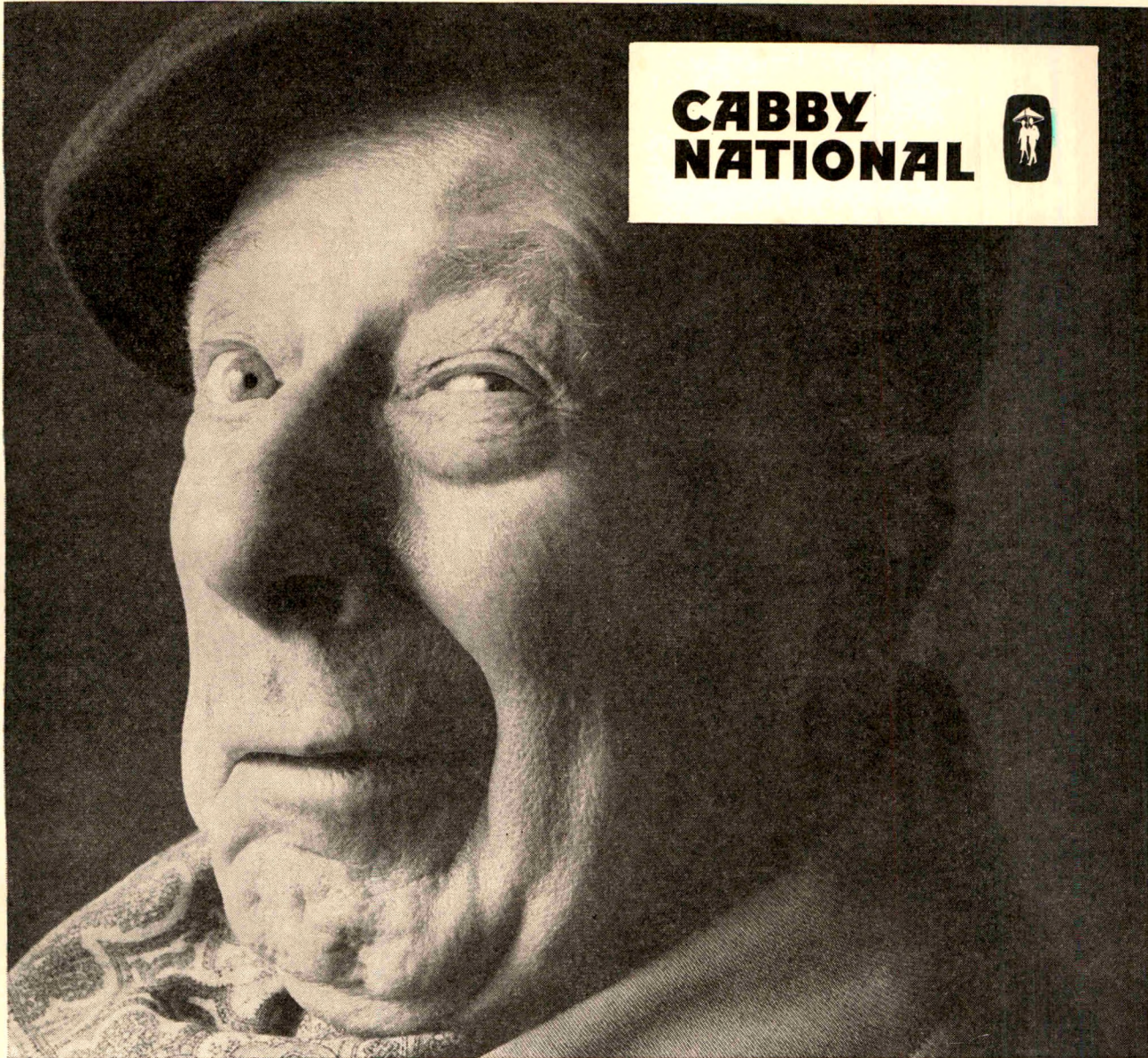
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THE
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So this geezer jumps into the cab and says

'Carey Street'

Carey Street, I says. Why don't you save ?

'Save ? How,' he says. 'can you save money these days ?'

I save, I says. Millions of people save.

The question's not *how* but *where*.

'O.K.,' he says. 'Where ?'

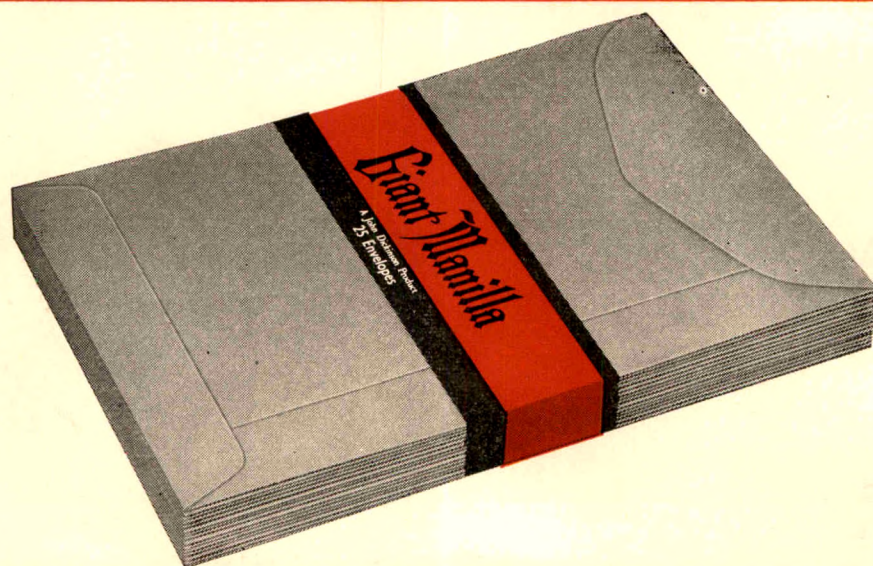
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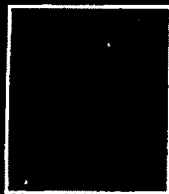
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THE ACCOUNTANT

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The Recognized Weekly Journal for the Accountancy Profession throughout the World

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Overseas Investment

RESTRICTION on private overseas industrial investment is one of the less publicized consequences of Britain's continuing failure to achieve an adequate surplus on the external trade account. The case for such investment by U.K. companies is so obvious that it hardly needs making. By distributing its resources throughout the world, British industry has increased its earnings, extended its trade opportunities and exports, and enhanced the influence which a powerful economic interest can exert in any country.

In the light of these advantages it seems short-sighted in the extreme for any Government to restrict the outflow of private industrial capital. Why then did the CHANCELLOR deem it necessary? His decision was dictated by the massive deficit in 1964 on the external trade account. This, coupled with the requirements of the Government's foreign policy and the level of its spending overseas, meant that something had to be cut. Mr CALLAGHAN stressed that a much higher rate of return on such capital was available from investment nearer home; and the interim report from Professor W. B. REDDAWAY and his colleagues of the Department of Applied Economics at Cambridge commissioned by the Confederation of British Industry (*The Accountant*, April 8th, 1967), did not support industry's case quite as strongly as had been hoped.

Nevertheless the C.B.I. last week published its assessment of the case for overseas investment — partly no doubt to offset the impact of the Cambridge interim report, and possibly the findings of the complete report to be published next year. The C.B.I. report has two objectives. The first is to explain the case for direct investment and how this has helped the U.K. economy. The second is to criticize the interim REDDAWAY Report which 'substantially understates the total benefit accruing to the balance of payments,' derived from overseas investment. It further criticizes the interim report because it treats 'capital outflow as a form of expenditure on a par with overseas spending by consumers or the Government', observing that the industrial expenditure creates durable assets which, of themselves and by virtue of the profits they will generate, represents a strengthening of the external account.

In assessing the case for such investment, one may be forgiven for recalling the comment — possibly apocryphal — attributed to an African politician, to the effect that what the African economy needed most was rather less twentieth-century socialism and more nineteenth-century capitalism! He could be right.

The Future of the Profession

THE talks on the future of the accountancy profession received a setback when, early this year, the then President of the Board of Trade, Mr DOUGLAS JAY, referred the question of the practices of professional bodies to the Monopolies Commission and intimated that the Board would not be prepared to declare its attitude to any proposals for the reshaping of the accountancy profession until the Commission had presented its report. We commented at the time that it was to be hoped the new situation would not inhibit the accountancy bodies from going ahead with their plans.

The original time-table has inevitably been thrown out of gear, but it is satisfactory to know that the six participating bodies have now been able to announce that the re-examination of the outline scheme has been completed. It is hoped to present a definitive scheme to the respective Councils before the end of this year and to release it for the general consideration of their memberships next spring.

It will, without doubt, be an issue surrounded by some controversy; what major issues are not? Few, however, will deny that some measure of rationalization of the profession in the British Isles is imperative.

The statements sent to their members this week by the respective bodies are in similar terms; that issued by The Institute of Chartered Accountants in England and Wales is as follows:

'Re-examination of the outline scheme, caused by the reference of the professions to the Monopolies Commission, has now been completed. Accordingly it is hoped that, by the end of this year, a definitive scheme will have been laid before the Councils of the six participating bodies in order to seek their authority for it to be issued to their respective memberships by the spring of 1968.

'In addition to proposals for the integration, as chartered accountants, of the members of The Association of Certified and Corporate Accountants, The Institute of Cost and Works Accountants and The Institute of Municipal Treasurers and Accountants with the members of the three Institutes of Chartered Accountants in Great Britain and Ireland, the scheme incorporates a number of other important proposals relating, *inter alia*, to:

- (a) higher educational standards for entry into training;

- (b) a period of full-time study of accountancy and related subjects before entry into or at an early stage of practical training;
- (c) a broader and more advanced examination syllabus to cover in greater detail than hitherto industrial and public service accountancy subjects as well as modern systems and techniques;
- (d) arrangements whereby students can be trained in practising offices, or in industry, or in the public service as they might select;
- (e) arrangements whereby students in training for the 'chartered' qualification will be given greater opportunities to participate in Institute affairs;
- (f) the creation of a second tier of qualified accountants, to fill the void which would otherwise be created by the raising of educational entry standards, with a ladder from this lower tier to that of chartered accountant for those who have the determination and ability to climb it;
- (g) dual or triple membership whereby a member of one or other of the enlarged Institutes of Chartered Accountants will be eligible to join, if he so wishes, either or both of the other two on paying the appropriate additional annual subscription.
- (h) arrangements for closer collaboration between the three enlarged Institutes.

'On the assumption that a scheme will be issued to members by the spring of 1968, arrangements will be made by district societies for meetings to be held up and down the country during the late spring and early summer. Representatives of the Council will be available to attend these meetings to hear members' views and answer questions about the proposals.

'Special meetings will then be convened by each of the participating bodies to give members the opportunity of voting upon the general principles of the scheme. It is hoped that these meetings will take place in the autumn of 1968 so that the Councils concerned may have authority to prepare the necessary changes in the Royal Charters and the bye-laws.

'If such authority is given, approval will be required from members at further special meetings precedent to seeking allowance from HER MAJESTY in Council in respect of the Royal Charters and from the Privy Council in respect of the bye-laws.'

COMPANIES ACT 1967

Exempt Private Companies

ABOLITION of the 'exempt private company' by the Companies Act 1967 had been anticipated for some time, since the Jenkins Committee on Company Law in paragraph 63 of its report (Cmnd 1749), recommended (a) that the distinction between exempt and non-exempt private companies should be ended and the special privileges of the exempt private company, including the exemption from filing accounts with the registrar of companies, abolished; and (b) that unlimited companies should be exempt from the requirement to file accounts. Both these recommendations have been substantially adopted, subject in the case of recommendation (b) to the conditions set out in section 47 of the Act.

The main privilege of the exempt private company is the exemption from the requirement of section 127 of the Companies Act 1948 to annex the company's accounts to the annual return. Section 129 of the 1948 Act which confers this exemption subject to compliance with certain conditions, and Schedule 7 to the 1948 Act which extends these conditions in relation to shares and debentures of exempt private companies are wholly repealed as from January 27th, 1968, by section 2 of and Schedule 8 to the 1967 Act. Accordingly, as from this date the decisions of the Courts in *Re Prens's Settlement*; *Truvox Engineering Co Ltd v. Board of Trade* ([1960] 3 All E.R. 564) and *Qualter, Hall & Co Ltd v. Board of Trade* ([1961] 1 All E.R. 210) which deal with particular circumstances in which exempt private status can be lost through failure to comply with Schedule 7 to the 1948 Act will no longer apply.

Section 161 (1) of the 1948 Act prescribes under alternative heads (a) and (b) the qualifications which must generally be possessed by a person before he can be appointed as auditor of a company, but a proviso to the subsection states that it is not to apply in the case of a private company which at the time of the auditor's appointment is an exempt private company. Section 161 (2) of the 1948 Act also provides, *inter alia*, that a person who is a partner of, or in the employment of, an officer or servant of the company (other than an auditor) shall not be qualified as auditor of the

company, but again a proviso to the subsection states that this prohibition shall not apply in the case of an exempt private company. Both these provisos are repealed as from January 27th, 1968, so that after this date section 161 (1) and (2) will each apply without its respective proviso, but this is subject to what is said later regarding section 13 of the 1967 Act relating to audit.

Section 190 (1) of the 1948 Act makes it unlawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such person by any other person. But proviso (a) to the subsection states that nothing in the section is to apply to anything done by a company which is for the time being an exempt private company. This proviso, too, is repealed as from January 27th, 1968, but provisions (b), (c) and (d) and the rest of section 190 are not affected by the 1967 Act.

Section 410 (1) of the 1948 Act provides that every overseas company must, in every calendar year, make out a balance sheet and profit and loss account, and if the company is a holding company, group accounts, in such form and containing such particulars and including such documents, and deliver such documents to the registrar of companies as, under the 1948 Act, it would (subject to any prescribed exceptions) have been required to do if it had been a company within the meaning of the 1948 Act.

A proviso to section 410 (1) states that a company registered under the law relating to companies for the time being in force in Northern Ireland and having provisions in its constitution which would, if it had been registered in Great Britain, enable it to rank as a private company, need not comply with section 410 (1) if there is delivered to the registrar of companies a certificate signed by a director and by the secretary of the company stating that had section 129 of and Schedule 7 to the 1948 Act extended to Northern Ireland, the company would at the date of the certificate have been an exempt private company. This proviso is also repealed as from January 27th, 1968.

Section 2 of the 1967 Act merely states that the whole of section 129 of the 1948 Act and, in effect, the provisos to sections 161 (1), 161 (2), 190 (1) and 410 (1) are to cease to have effect. The actual dates of the repeals of these provisions and of Schedule 7 to the 1948 Act are to be found in Schedule 8 to the 1967 Act, which states that all the repeals are to take effect at the expiration of the period of six months beginning with the day on which the 1967 Act was passed, that is, July 27th, 1967. As might be expected, section 57 (1) (b) of the 1967 Act provides that section 2 itself is to come into operation on January 27th, 1968.

The repeal of the statutory provisions relating to

exempt private status as from January 27th, 1968, carry in their train some related provisions which will be of interest to accountants. Recommendation 63 (a) of the Jenkins Committee proposed transitional provisions relating to auditors of exempt private companies if such companies were abolished; and recommendation 435 (a) of the report recommended that in such case the Board of Trade should be empowered to authorize any person who could satisfy them that at the time of the report (June 1962) he was mainly occupied in private practice as an accountant and was employed as the auditor of an exempt private company, to be appointed auditor of a company, provided that none of its securities had been quoted or offered to the public, that it was not the subsidiary of a company whose shares had been so quoted or offered, and that the Board should have power to revoke such authorization. This recommendation has, in general, been adopted.

Section 13 (1) of the 1967 Act provides that notwithstanding section 161 (1) of the 1948 Act, but subject to subsections (2) to (4) of the section, a person shall be qualified for appointment as auditor of a company provided that at the time of his appointment no shares or debentures of the company, or of a body corporate of which it is the subsidiary, have been quoted on a Stock Exchange in Great Britain or elsewhere or offered in Great Britain or elsewhere to the public for subscription or purchase, if he is for the time being authorized by the Board of Trade to be appointed auditor of a company. Further conditions are that he has throughout the period of twelve months ending on November 3rd, 1966, been wholly or mainly occupied in practising as an accountant (otherwise than as the employee of another person) and on November 3rd, 1966, had been the duly appointed auditor of a company that was then an exempt private company within the meaning of the 1948 Act.

Section 161 (2) of the 1948 Act (referred to in the previous paragraph) provides that no person shall be qualified for appointment as auditor of a company who is (a) an officer or servant of the company, (b) a person who is a partner of or in the employment of an officer or servant of the company, or (c) a body corporate. As previously stated, the proviso to section 161 (2) whereby paragraph (b) is not to apply to an exempt private company is repealed as from January 27th, 1968.

Section 161 (3) provides that a person shall not be qualified as auditor of a company if he is, by virtue of section 161 (2) disqualified for appointment as auditor of any other body corporate which is that company's subsidiary or holding company or a subsidiary of that company's holding company or would be so disqualified if the body corporate were a company. Section 161 (4) provides that a Scottish firm shall be qualified for appointment as auditor of a company if,

but only if, all the partners are qualified for appointment as auditor of the company.

The effect of the foregoing provisions is that a person within section 13 (1) of the 1967 Act can act as auditor in respect of companies other than former exempt private companies of which he was auditor, even though he is not qualified under section 161 (1) (a) or (b) of the 1948 Act, provided the several conditions referred to above are satisfied and that he is authorized by the Board of Trade to be appointed as auditor.

Again, notwithstanding the repeal of the proviso to section 161 (1) of the 1948 Act a person who, at the time when the repeal takes effect on January 27th, 1968, is auditor of an exempt private company will, subject to subsections (2) to (4) of section 161 be qualified for appointment as auditor of *that* company until the expiration of the period of twelve months beginning with the day on which the repeal takes effect, that is, until January 26th, 1969, being twelve months from January 27th, 1968. But, as before, the shares of the company of which the person is to be appointed auditor must not have been quoted on a Stock Exchange in Great Britain or elsewhere or offered to the public for subscription or purchase. This is the effect of section 13 (2) of the 1967 Act.

Section 13 (3) of the 1967 Act provides that a person shall not by virtue of subsections (2) (b) or (3) of section 161 of the 1948 Act be disqualified for appointment as auditor of a company at any time during the period of three years beginning with the day on which section 13 (3) of the 1967 Act comes into operation, that is, on January 27th, 1968, if (a) on that day he is a duly appointed auditor of the company in question, (b) the company's shares have not been quoted on a Stock Exchange or offered to the public for subscription or purchase (as before), or (c) if the 1967 Act had not been passed, section 161 (3) of the 1948 Act would not operate to disqualify him for appointment. The effect is that in the case of former exempt private companies the period of grace for existing auditors will be three years from January 27th, 1968, where the disqualification arises under section 161 (2) (b) or (3) of the 1948 Act.

It will thus be seen that under section 13 (2) and (3) of the 1967 Act a person does not need to be authorized by the Board of Trade to be appointed auditor as is the case under section 13 (1) of the Act; and in none of subsections (1) to (3) of section 13 of the 1967 Act does the word 'company' include a company that carries on business as the promoter of a trading stamp scheme within the meaning of the Trading Stamps Act 1964.

By section 55 (1) of the 1948 Act any reference in that Act to offering shares or debentures to the public will, subject to any provision to the contrary, be construed

as including a reference to offering them to any section of the public, whether selected as members or debenture-holders of the company concerned or as clients of the person issuing the prospectus or in any other manner; and references in a company's articles to invitations to the public to subscribe for shares or debentures will be similarly construed. This extended meaning of offering shares or debentures to the public is applied by section 13 (5) of the 1967 Act to section 13 (1) of that Act.

Under section 161 (1) (b) of the 1948 Act a person may for the time being be authorized by the Board of Trade to be appointed as auditor if before August 6th,

1947, he practised in Great Britain as an accountant, but by section 13 (4) of the 1967 Act a person will no longer be so authorized under section 161 (1) (b) unless he makes application to the Board of Trade for authorization before section 13 (4) comes into operation, that is, before January 27th, 1968.

These provisions of the 1967 Act relating to the appointment of auditors apply to public as well as private companies and to unlimited as well as limited companies, and it is to be observed that the exemptions do not apply to a company which at any time had shares or debentures quoted on a Stock Exchange or offered to the public for subscription or purchase.

Current Affairs

Company Law in 1970

LAST February the President of the Board of Trade announced the Government's intention of bringing in before the end of the present Parliament a Bill which would 're-examine the whole theory and purpose of the limited joint-stock companies'. According to a new P.E.P. pamphlet entitled *The Companies Act 1970*¹ written by Professor Michael Fogarty, 'even with the utmost effort it seems unlikely that the necessary research, public information and debate can be carried far enough to justify bringing a Bill for a fundamental reform into Parliament by 1969 or 1970'.

The author concedes that there could certainly be another Companies Bill before 1970 to complete the technical work of tidying-up the existing law on the lines of the recommendations of the Jenkins Committee which was undertaken, in part at least, in the Companies Act 1967. But there is no evidence to suggest that this would justify the description of 'fundamental' changes. Professor Fogarty makes out a stimulating case for such a fundamental review in so far as he looks at company law not through the eyes of a lawyer but

rather as a social scientist wanting to know just what purposes the law is designed to serve.

His extended discussion is amplified by references to recent developments in the European Economic Community and clearly, if Britain is to join the E.E.C., future changes must take note of the Community practice. There are a number of basic questions which remain as yet virtually unanswered in British company law. In particular, Professor Fogarty asks whether the traditional differentiation in British law between private and public companies, and even the nationalized industries, should be continued although in Europe it is being eliminated. Next, there has been considerable discussion of the role of the small investor in providing corporate finance. Should this development be extended to include significant employee participation and, if not, what should be the relations between workers, technicians and management? How are the interests of the small investor best protected. Does Britain need the American type of Securities and Exchange Commission?

The role of the director is not easily defined in the present political and economic climate, but should the attempt be made in any new Bill to change this? Should Britain, for example, copy the German dual-board system which entrusts the running of the company to the executive and the protection of the shareholders to a supervisory board?

This is a thought-provoking piece of work in which the role of the law is seen in a much wider aspect than that in which it is so often treated; in other words what sort of company law is needed for Britain's future industrial society?

Too Many Cooks

PRESS reports of last week's N.E.D.C. meeting with, for the first time, the Prime Minister in the chair, indicate that despite C.B.I. opposition the Government proposes to implement its proposed

¹ Available from Research Publications, 11 Nelson Road, London SE10. Price 10s.

Industrial Expansion Bill. The Bill is to provide for share purchase in public companies carrying out work for Government departments. As pointed out in a note in our issue of October 7th, the question prompted by this proposal is quite simple: What is the purpose of this intervention into the running of industry? It is clearly not to give the Government any degree of legal control. It can hardly be to provide jobs for retired trade union leaders and those sympathetic to the Government's cause.

The official explanation is that it will ensure that the Government can make its views felt more effectively and quickly within the boardrooms. This is arguable; there are already ample means of acquainting industry with the Government's wishes. It follows, therefore, that the only object must be to ensure that those wishes are in fact carried out. Whether such wishes relate to what is described as 'accelerating technological development' or to ensuring that the taxpayer gets value for his money from contracting firms, does not really matter. The essential but simple point is that the Government is seeking to put itself in the position in which it can 'influence' the decisions of private industry.

The Government and the new Secretary of State for Economic Affairs, Mr Peter Shore, may believe that the solution for some of Britain's economic and industrial problems lies in a greater degree of intervention in the affairs of British industry. However, as no doubt, the C.B.I. spokesmen at the N.E.D.C. meeting pointed out, just what does such a policy mean in practice? At worst it is power without responsibility to the owners of the business concerned. At best it is useless should the board and the Government's representatives disagree.

What industry is rightly concerned about is that the Government has a wide range of powers which can compel agreement. The Government doubtless have the best of intentions in this matter. On the other hand there is still a lot to be said for each side doing what it is paid to do, which is that the Government should govern while leaving industry to produce the goods. Too many cooks can spoil the broth.

Family Expenditure Survey

MANY husbands, among whom readers of this journal will be no exception, will have retired licking their wounds and with depleted wallets from any discussion with their domestic partners on the cost of living. For those who would like to be well briefed for the next venture into this dangerous arena, or even for those who value peace above all else but are statistically inclined, the 1966 Family Expenditure Survey (H.M.S.O., price 22s 6d) offers some useful and interesting facts.

This annual survey is based upon the collection of household accounts from all members aged 16 and over in a sample of 5,000 households. Since the proportion of non-co-operating households is over 25 per cent, the actual number of household accounts upon

which the report is based is only 3,274. This, nevertheless, is a large sample by any standards, although the fact that it may be slightly biased is conceded.

The average weekly household income from all sources in 1966 was £27 5s – an increase of 12 per cent on the average for the previous year. Heads of households contributed £19 14s of this average, their wives a further £2 19s, and other members such as working children, £4 12s.

The pattern of expenditure overall did not show any major changes from earlier years. The increase between 1965–66 in spending was about £1 and this was accounted for by foodstuffs, alcoholic drink and tobacco, durable household goods, and miscellaneous services. Of the increase the first two mentioned absorbed 11s 6d and miscellaneous services 3s 6d. While less money was spent in 1966 on new cars than in the previous year, the outlays on their maintenance was higher – 22s 5d compared with 19s 1d. The many tables in the report include classifications of households by reference to housing tenure, region and income group.

The Brain Drain

BETWEEN 1961 and 1966 Britain's 'exports' of engineers and scientists virtually doubled – from 3,200 to 6,200. The numerical loss of qualified engineers has been much more serious than the loss of scientists. These are the key findings in the report published last week of the subcommittee under the chairmanship of Dr F. E. Jones, entitled simply but graphically, *The Brain Drain* (Cmnd 3417, H.M.S.O., price 11s). The immediate cost of this loss of trained personnel can be estimated from the fact that each newly-qualified scientist or engineer with a B.Sc. degree represents an investment of £6,000, while for a Ph.D., it is £16,000. It is idle to pretend that Britain can afford the luxury of such exports. But how to check the outflow?

The Jones Committee quite rightly rejects any suggestion of regulation or restraints on migration. No doubt it can and will be argued that since many such technologists have been trained at the taxpayers' expense, they should be compelled to contribute a period of service at home. But where would such a policy end? How, for example, would we deal with the many young women who follow up three years of a teacher training course, also at the taxpayers' expense, by immediately getting married and starting a family? As the report rightly makes clear, the need is to eliminate the discouragements which drive technologists to emigrate.

There are a number of such factors ranging from unduly low pay coupled eventually with onerous taxation when the expensive training at last begins to pay off, to a lack of 'more challenging opportunities, particularly in industry' for such people. The subcommittee suggests that the payments to these people should be selectively increased, and at the same time prospects of promotion to managerial and board level

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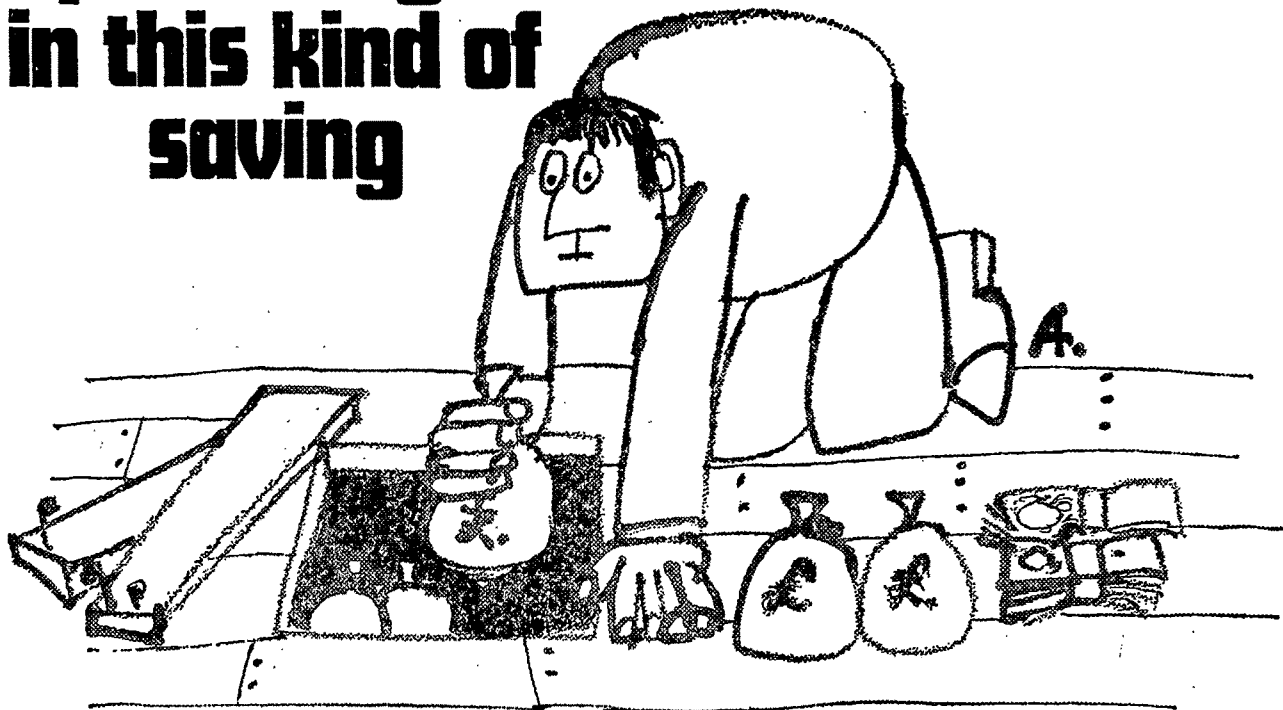
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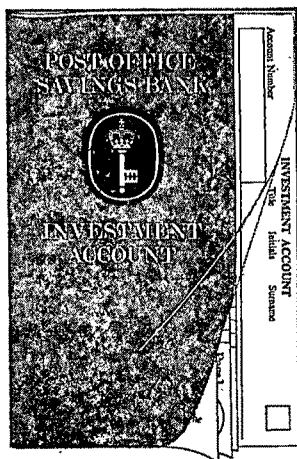
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should be improved. The universities are criticized for a tendency to train scientists 'towards solely academic achievement as an end in itself', while industry is taken to task in the recommendation that 'the rewards and challenges of industry need to be more imaginatively presented to talented people in the universities'.

Both these criticisms, however, suggest a failure to grasp the real point. First, it is not the function of higher education to provide vocational training, and in any case, it seems that U.S. industry can make good

use of British academic products despite their apparent misplaced approach to training. And as for presenting the challenge etc. of industry, it is the simple fact that many companies do not use their technologists efficiently that leads graduates to opt for research. The Jones Committee is right in stressing the role of these attitudes, but it may be doubted if it has fully appreciated their root causes. The main merit of the report is that it effectively spotlights an urgent issue.

This is My Life

by An Industrious Accountant

A GROUP of us accountants in our small town is in the habit of foregathering over a cup of coffee on Saturday mornings to compare notes on our ups and downs during the week. If we are not careful our oldest member holds the floor. A somewhat pompous little man with a voice loudly determined to talk down interruptions, he is convinced that he is advising his less sophisticated colleagues for their own good.

Financial escalation is his latest theme. Bury reliable goods and hold for the rise. Buy land, or houses, or shares, or *objets d'art*, and make a fortune as value appreciates. He himself, he indicates benignly, has accumulated vast sums by this means. True, one must be prepared to wait thirty years or so, but accountants are trained to look ahead.

I reflected gloomily that I've never hoarded anything. My family has been singularly unlucky in this respect. For example, my father used to display a drawer full of impressive old certificates of shares in South American railways, which he had bought cheap. He'd have made thousands on realization – except that confiscation arrived first. Then, again, my favourite aunt had two four-foot-high Chinese vases with curling purple dragons which, she always declared, would keep her old age in luxury . . . a pity about that stepladder collapsing during spring-cleaning. Still, the principle seemed sound enough.

But going home that night I had a sudden thought. Somewhere in an old bureau was my stamp collection, the pride of my school days but forgotten for decades. I had ceased collecting when I left school, but there must be at least five thousand stamps there. Surely they would be of immense value by now – old, scarce and irreplaceable as they were; trophies of the days when stamps were functional rather than foreign-currency seekers.

The laden loose-leaf pages whispered of treasure to come. There were kings and shahs and presidents, junks and tigers, exotic silver-bordered Siamese and

Cape triangulars; from the past came vanished names like Serbia and Oubangi-tchari-tchad. Some had been bought from 'approval sheets', beguilers of hard-won sixpences long ago; other dingy, heavily-postmarked specimens had been gleaned from friends abroad and assorted relatives. Even to my adult eye they seemed promising.

A week later I took time off to visit a renowned philatelic house in London with my parcel. A courteous official welcomed me charmingly, his smile only slightly fading as he opened the brown paper. True, its contents seemed suddenly shabby among the gleaming cabinets of unused anniversary issues around us, like commandos from the fray among a troop of burnished Life Guards, but they had the dignity of long ago. I could already hear the eager crowd at the auction, the hoarse bids on the hot line from New York. . . . Escalation, that was the secret; say 10 per cent compound per annum for thirty-odd years.

'We get quite a number of job lots like this from time to time', said the official tolerantly. 'About £5 is our usual price'. He flicked through a few of the pages in casual style. 'Of course, we can offer you an expert valuation for a nominal fee of a pound or so, which might justify an offer of ten pounds, perhaps'.

Indignantly I pointed out my penny black, my Saorstat Eireann overprints and my Luxemburg birthday set. I'd checked these and other prices with the latest Stanley Gibbons catalogue. He wasn't interested. The price he bought at wasn't the price at which he sold, he explained. How about accepting the expert valuation? Of course, now, if I happened to have a recent Battle of Hastings misprint?

Needless to say, I hadn't, and a partisan valuation wasn't attractive. Ten pounds worked out at about a halfpenny each – for stamps that had cost me as much as fourpence each almost forty years ago. So much for the principle of escalation and the various uncles who used to pontificate on my collection being worth a fortune some day!

In some sadness my album was returned to its bureau drawer again that evening. Perhaps my son may try his luck in another forty years' time, when possibly that logical and enticing principle has been transformed into firm financial fact.



Liability Insurance

Some matters of interest discussed at the recent annual conference of the Chartered Insurance Institute

by AN INSURANCE CORRESPONDENT

OF all the forms of insurance available today, probably one of the most important is liability insurance in view of the risks which are run and the exceptionally high damages which may be awarded. At the recent annual conference of the Chartered Insurance Institute, the main paper dealt with 'Modern requirements in liability insurance' and was contributed by Mr M. W. Payne, who is underwriter and general manager of a prominent syndicate of underwriters at Lloyd's.

Inevitably, he was looking at the subject from an insurer's point of view, but he was quite aware that among those listening were brokers and large buyers of insurance. Mr Payne's aim in his paper was to look primarily at non-marine liability insurance in the United Kingdom. Nevertheless, although marine, motor and aviation liabilities were not mentioned by name, some of the basic principles which arose very much apply in these other fields.

Mr Payne said that it was perhaps an easy way out for insurers, when shown a risk which was rather unusual, to reject it out of hand. This, of course, was the wrong attitude and he felt that although insurers cannot cover every risk, a viable proposition usually can be produced. To aid this acceptance of the unusual, Mr Payne thought that there could be much closer co-operation between insurers and those whom they insure. Offering facilities to insurers themselves (not simply the brokers who are handling the business) to obtain first-hand knowledge by undertaking a personal survey can go a long way towards helping the whole process of obtaining cover.

Advantage of meetings

Mr Payne admitted as much when he said that a personal survey or a meeting with the people responsible for running the risk can make all the difference to rating, to cover, and possibly to the overall decision as to whether the risk is acceptable. An intangible advantage from meetings of this kind is that they can lay the foundations for a build-up of mutual good faith and understanding on both sides. This can be extremely important to both parties to a contract when difficulties arise, and it means that often disputes can be avoided, or at least be resolved quite quickly.

This question of co-operation leads to another point made by Mr Payne – that, in the vast majority of cases, the underwriter is dependent on how the risk

is presented to him. 'Often', he said, 'it is taken for granted that because some particular aspect of a risk is not excluded there is no need to advise the underwriters of its existence. It is a matter of degree, but it is always gratifying to find the insured and the broker who make a point of insisting that underwriters must be fully aware of what is going on. This approach will usually be rewarded by a greater degree of tolerance on both rating and cover.'

Saying that it was all too easy to renew a policy which has been in existence unaltered for a number of years, Mr Payne said that, in such circumstances, the cover is probably quite inadequate for present-day requirements, and thus it is preferable for revision of the cover to be considered at least annually. 'Underwriters', he said, 'are often under pressure to pay a claim which ought to have been covered, even though they have had no opportunity to charge the right rate for the additional cover.'

Indemnity limits

On the question of indemnity limits, it was suggested that for more ordinary liability policies, especially in third party and products liability, the limit of indemnity should not be less than £100,000. He thought that the limits of £25,000, or even £10,000, which still apply to many third party policies, are now quite inadequate for anything but the most innocuous of risks.

Dovetailing of cover is becoming increasingly important, especially as many commercial and industrial companies are merging together to form groups with extremely widespread activities. It is generally considered unwise, for instance, for individual liability policies to be placed with different insurers. As Mr Payne said, 'In the extreme, the question of who covers what can result in the insured being left holding the baby.' Admitting that sometimes separation is unavoidable because adequate cover for some special risk can be obtained only from a specialist underwriter, Mr Payne stressed that, whenever possible, it was highly desirable for all legal liabilities to be covered by the same insurer. 'Better still', he added, 'all liabilities should be covered in one policy document instead of three or four.'

The first step towards this ideal, thought Mr Payne, would be to have a policy divided up into sections, each separately rated. This could be a try-

out before the introduction of an umbrella policy, which would cover every conceivable liability, including professional negligence, at one all-in rate. Saying that, in years to come, the insurer who could provide this cover would be in great demand, Mr Payne stressed that it would not be cheap. 'Brokers', he said, 'must recognize the growing requirement in industry for such a policy, and must be prepared to support a reasonable rating structure; cut-price competition will only see an early end to a promising new approach.'

American interests are known to be forging ahead with a policy on these lines; no doubt British insurers will see to it that they remain competitive. One point they will have to consider is whether some of the market agreements should be brought up to date by the deletion of certain restrictions.

Besides this, there is a growing opinion that, within the foreseeable future, insurers will have to provide unlimited indemnity for property damage claims as well as for personal injuries to third parties. It looks as though the British insurance market is large enough to provide this cover, so long as direct insurers receive co-operation from the reinsurance market. Here again, it comes down to expense - with direct insurers charging enough in the first place to be able to give their reinsurers a square deal.

Employer's liability insurance

Discussing the question of employer's liability insurance and the position of 'labour-only' subcontractors, Mr Payne said he thought there might well be a case for considering an amendment to the operative clause of the employers' liability wording to cover liability to and liability of those who are self-employed mainly for fiscal reasons or the employers of such labour-only subcontractors. He thought, however, that there would be some difficulty in finding a satisfactory solution, since care would have to be taken to see that persons who should rightfully be treated as third parties would not be treated as employees, and vice versa. Meanwhile, any company employing men on this basis should declare such fees paid under their employers' liability policy. And, since such labour-masters care little about insurance, it will be advisable for their liability to their employees to be included.

At one time, there used to be a standard exclusion on all employers' liability policies (and third party as well) relating to liability assumed under contract or agreement which would not otherwise have attached. Nowadays, however, few companies will tolerate such an exclusion in their policies. This, however, can make the position difficult for insurers. 'There is undoubtedly a tendency', said Mr Payne, 'for contract conditions to become more and more onerous. Usually, if the insured is not liable in tort, then he is liable in contract, and in some cases liability is imposed on him even though injury caused is only remotely connected with his work and is in no way his fault.'

Mr Payne added that, unfortunately, at the present time, there is no limit to the extent to which a contract can be drawn up so as to pass responsibilities on to another party. 'The only governing factor is that the relative clause means exactly what it says and is incapable of any other interpretation.' 'It is quite iniquitous', said Mr Payne, 'that some firms can and do contract out of gross negligence or breach of statutory duty on their part or on the part of their employees.'

At the moment, the Scarman Committee on Law Reform is also considering the law of contract; rather naturally, insurers hope that there will be some limitation put on the responsibilities out of which parties can at present contract. Meanwhile, although automatic cover for contractual liability is fairly common, insurers are anxious that those who are insured should disclose any particularly onerous conditions of a contract which they are required to sign.

Products liability insurance

Referring to products liability insurance, Mr Payne said that, in the manufacture of products, a manufacturer owes a duty to take care towards all those whom he might reasonably expect to be injured by his failure to take such care. 'In these days, the degree of care is likely to be extremely high, subject, of course, to questions of foreseeability or remoteness.' Despite the widening of cover, and the ever-increasing liabilities, Mr Payne said that the general rates for this class of business had not kept pace. Clearly he was hoping for increases in premiums in the future!

Commenting on endeavours to limit liability by way of stringent conditions of sale, Mr Payne said that such conditions may expressly exclude all responsibility for injury, damage, or other losses however arising, and probably limit liability to replacement of defective goods. 'The relevant clause', he added, 'often states that the manufacturer makes no warranty as to the fitness of the goods for any intended purpose. Some of these conditions may not be watertight, but in most cases their use will be taken into account in rating the risk, although it should be borne in mind that they may not always be applied to each sale.'

On the question of claims under products liability policies, Mr Payne was speaking from experience when he said that most firms which are insured are reluctant to agree that a claim should be contested. 'Fear of adverse publicity and consequent loss of trade may be a deterrent to litigation, and the insured may put the insurer under pressure to settle. It then becomes a matter of compromise if there is any element of doubt, but otherwise the claim may be treated as an uninsured loss.'

The Misrepresentation Act 1967, thought Mr Payne, could make products liability risks vulnerable, since it provides a purchaser with the right to rescind a contract once it has been executed if there has been 'innocent misrepresentation'. The Act also provides a cause of action in damages for loss caused by

negligent misrepresentation, and gives a Court power to award damages at its discretion in lieu of rescission. Mr Payne took the view that underwriters may wish to rate separately cover for liability arising under this Act, adding that only time and experience will give the answer.

Claims settlement

On the question of claims settlement, Mr Payne made some important points, which it is to be hoped will be taken to heart by insurers generally. 'If the liability is there', he said, 'then the sooner the case is settled, the better. Unnecessary delay can, and frequently does, cost money. Litigation can be well worth while, but great care must be taken to select the right case and close contact with the claim must be kept at all times. By going to law and being proved right in Court, the prestige of both the insurer and the insured is considerably enhanced. Conversely, being proved wrong can cause immeasurable harm, and in some cases

extreme hardship. It pays to think twice before inviting a writ or summons. Much time and money is wasted because too many writs are issued, mostly because of delay in settling of a claim. The fact that something like 90 per cent of all such cases are settled before they ever reach Court must have some significance. Only the legal profession can derive any benefit from these abortive writs, and perhaps it could be appreciated more that proceedings should be commenced only when negotiations have reached a complete impasse.'

At this stage, also, Mr Payne stressed the need for co-operation between insurers and an insured, saying that since it is against the insured in name that the claim is made, not against the insurer, and it is in the insured's name that the claim is fought and settled, he surely has a right to know why one action or another is being taken. 'Of course,' he said, 'underwriters have the last word in the settlement or otherwise of a claim, but a proper degree of co-operation will enable the insured to have at least some say in the matter.'

Effective Report Writing

by GORDON WAINWRIGHT, B.A.

Lecturer responsible for English and General Studies, Hebburn Technical College, Co. Durham

ALTHOUGH the term 'report' means many things to many people, there are certain principles which form the basis of the writing of most reports in business and public practice. A report is usually a statement, with comments, on work that has been carried out or an analysis of projected work. It can vary in length from a single sheet of paper to a weighty volume of many hundreds of pages. But for all reports – other than those, of course, where one is merely required to complete a standard form – the writer encounters the same problems of approach, preparation, selection, organization and expression regardless of its length or type.

Many reports are badly written. Not so much in the sense that they contain too many grammatical errors, spelling mistakes and so on (though many do), but more in the fact that they are frequently so badly organized and contain so much irrelevant information that they are extremely difficult to read. Reports written in essay form in which it is almost impossible to find the writer's conclusions are not unknown. If it is to be an effective business communication, a report must be approached in a methodical manner and must be written with a proper regard for the needs of those for whom it is intended.

One method of writing effective reports which has been used with success in a number of management training courses is appropriately entitled the PAPER

method. This derives its name from the key words used to describe each stage of the process of writing a report. It is a method which meets most of the requirements of most report writing situations and one which directs attention to many of the problems involved and offers practical solutions.

Preliminary study

The first stage in the writing of a report is the period of preliminary study when the subject-matter is considered from every possible angle and all the information on which the report will be based is collected. During this period the writer should concentrate on obtaining all the facts pertaining to a situation. It is important to avoid selection at this stage, in order to ensure that the matter is being considered with the greatest possible degree of objectivity. Preconceptions will only serve to limit the value of the final report.

Assessment of purpose

Secondly the writer must make his assessment of purpose, deciding what kind of report is required: formal or informal, long or short, progress report or final report, and so on. The more detail with which the kind of report required can be defined the better, for this will make its actual writing much easier. The writer should also decide how detailed should be the consideration of the situation reflected in the report;

and he must, of course, be certain by whom and by what date it is required.

Planning the report

Planning is perhaps the most important stage in report writing for it is then that its form is decided, that errors in approach can be remedied and that the report is shaped for maximum effectiveness. If the report is well planned, many of the problems encountered in writing it will be overcome before they can arise.

The writer should select from the available data the information to go into the report, for rarely will it be possible or practicable to include all the information accumulated. He should arrange the material into a logical sequence and plan the layout of the report.

This last operation is the key to success, for the way in which a report is set out will not only help or hinder the report's readers, it will also reveal to the writer those parts of the report which contain information that is not required and those parts in which the sequence is not as logical as it might be.

Most reports will comprise four main sections:

- (a) The summary.
- (b) The introduction.
- (c) The body.
- (d) The conclusion.

The summary should be placed first for ease of reference by readers and should preferably be no longer than one side of paper. With reports of less than four or five pages, it may only be a short paragraph. The summary differs from the conclusion in that it is a synopsis of the whole report.

The introduction should outline the purpose and scope of the report and should state the plan of treatment of the material in the body of the report.

The body of the report may itself be broken into further sections, according to the demands of the subject being dealt with.

In the conclusion is extracted the report's findings or recommendations which should be listed in order of descending importance (the main ones first, then the others) so that readers can see the relative importance of each one.

Expression

In the expression or writing of the report, the sections should be clearly labelled. Main sections should be given a

PRIMARY HEADING

Subsections should be given a

Secondary Heading

and further sub-divisions should be given a

Sub-heading.

If headings are also suitably numbered or lettered this will not only make the report easier to write, it will also be much easier to read and the reader will be able to see quite easily the magnitude of the task before him in studying each section and he will be able to adjust

his approach accordingly. He will also find it much easier to locate any specific information he requires. For longer reports decimal indexing is appropriate, i.e. 1.1, 1.2, 1.3 . . . 2.1, 2.2, 2.3, *et seq.*

The report should be written within as short a period as possible to ensure unity of style and approach. The longer the period over which anything is written, the more difficult it becomes for the writer to continue successfully from where he left off on a previous writing session. The body of the report should be written first, then the introduction, conclusion and any other parts of the report. The summary should always be written last for the simple reason that it is impossible to summarize anything adequately until it has been completed.

Once the writer has commenced to compile his report, he should not deviate from his predetermined plan. It is better to start again (even though this might greatly increase the work) rather than risk a change of direction or emphasis within the report itself, for this will only serve to confuse and mislead the reader. The writer should express himself as simply and directly as the complexity of the material allows and should keep the report as short as possible.

Illustrative material, unless it is an integral part of the body of the report and is short and compact, should be relegated to an appendix with clear directions to the reader that this has been done. It is, in fact, the needs of the readers of the report that the writer must keep uppermost in his mind throughout its compilation.

Complete effectiveness in communication depends upon this and it will also help the writer considerably to express himself adequately if he knows precisely for whom he is writing.

Revision

The final stage in the writing of a report is revision. If at all possible the report should be left on one side for a few days when the first draft has been completed. This will enable the writer to return to it with a greater degree of detachment and to eliminate deficiencies before it is submitted.

In addition to the methodical approach described above, it is useful to have a dictionary at hand to enable doubtful spellings to be checked, as well as a copy of Roget's *Thesaurus* (most editions contain instructions on how to use it) to assist in selecting the word which most precisely conveys what is intended. By these means, the report writer will find that the task of writing effectively becomes both a more skilful and a more pleasurable activity.

Further reading

Report Writing, by C. G. Gaum and others, Prentice-Hall.

Suggestions for Improving the Language of Audit Reports, by L. G. Hunter, U.S. Government Printing Office.

'Training Staff Accountants to Write More Effective Reports', by Owen and Gerfen, *Journal of Accountancy*, May 1952.

Business Reports, by Saunders and Anderson, McGraw-Hill.

Learning to Live with Taxes on Capital Gains – II

by STANLEY KITCHEN, F.C.A.

COMPUTATION OF GAINS

General rules

FA 1962
s13
s13(7)(8)
FOR the short-term tax a gain is computed as if the acquisition and disposal had been an adventure in the nature of trade and the gain accrued at the time of disposal. Disposal receipts must be examined to see that they cover only chargeable assets and costs may need apportionment so that both sides of the 'venture' account relate to the same assets. Any interest or right attaching to an asset by way of security is excluded, in relation to both acquisition and disposal.

FA 1965
sch 6
p2,3
s22(8)
93. For the long-term tax the disposal consideration must first be examined to ensure that the transaction is not otherwise taxable, and again no deduction can be made for any burden secured on the asset.

sch 6
p4
94. The deductible expenditure, which must be wholly and exclusively incurred on the asset falls into three categories:

- (1) Original cost of acquiring, or in the case of a created asset of providing, the asset, including such incidental costs as professional charges, costs of transfer, and advertising to find a seller.
- (2) Interim cost, for enhancing the value and reflected in the state of the asset on disposal, or in establishing, preserving or defending the owner's title.
- (3) Disposal cost, including professional charges, costs of transfer, advertising to find a buyer and costs of valuation or apportionment, particularly in ascertaining market value. It does not include fees for managing or advising on investments nor does it include accountants' fees for determining a gain or loss.

FA 1965
sch 6
p5
p12
p17
s45(4)
95. Expenditure specifically disallowed includes that allowable against other taxable income or profits or which would be allowable if the asset had been employed as a fixed asset of a trade, insurance premiums, and any expenditure of a revenue nature. Expenditure met out of public funds, such as investment grants, must also be excluded.

96. A disposal by means of a hire-purchase transaction is treated as being completed at the beginning of the period of use, with subsequent adjustment if the asset does not pass at the end of the period of hire.

sch 6
p14
97. If any part of the consideration is receivable by instalments in a period of more than eighteen months after disposal, the gain is deemed to arise at the end of each period of charge involved in proportion to the

amounts of consideration receivable in those periods. A subsequent adjustment is allowed where any part of the consideration proves irrecoverable.

p15
98. A similar adjustment is allowed where a contingent liability, for which no allowance can be made in a computation, becomes enforceable and is so enforced.

p6
99. Expenditure on assets qualifying for capital allowances may be deducted in computing a gain, but a loss is restricted to the extent that capital allowances adjusted by balancing charges have been given. An allowable loss can therefore only arise if an asset has not wholly qualified for capital allowances. Expenditure on the 'renewals' basis is similarly treated.

p9-11
100. In dealing with the expenditure another principle has to be considered with what is referred to as a wasting asset, whose value diminishes with the passage of time. A wasting asset is defined as one with a predictable life not exceeding fifty years; it includes plant and machinery but excludes freehold land and buildings, leases of land with more than fifty years to run, immature animals and the whole or that part of an asset which has qualified for capital allowances. The asset is given a predictable life on its acquisition, together with an estimated scrap value at the end of its usefulness, and the expenditure is written off on a straight-line basis. In the case of leases of land with fifty years or less to run, the amount written off is not on a straight-line basis but on a curved-line basis in accordance with a published table.

FA 1965
sch 8

Part disposals

FA 1962
s13
FA 1965
sch 6
p8
101. Assets can often alter through being merged or divided or through a change in interests, and apportionments are necessary, when a disposal occurs, so that proceeds and costs are related to the same asset or part of an asset.

FA 1965
sch 6
p7
102. For the long-term tax where there is a part disposal, the basic rule for ascertaining costs is laid down in the unusual manner of an algebraic formula. The proceeds of the part disposed of (A), together with the market value of the part remaining (B), produce what will generally be the current value of a single asset (A + B) and total costs are apportioned in the ratio of

these two parts, so that $\frac{A}{A+B}$ of total costs, produces

the expenditure which together with any expenditure specifically relating to the part only, is offset against the part disposal proceeds. The costs of the remaining

part are then assumed to be $\frac{B}{A+B}$ of total costs.

The second part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 22nd.



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The essays should not exceed five thousand words or be less than two thousand. They should be in typescript, on one side of quarto or foolscap sheets and stapled together.

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103. Difficulties arise in interpreting what is a single asset, and whether a disposal involves the whole or only part of an asset. It is obviously important to consider the circumstances of original acquisition. Whether a row of houses was acquired as one block, or individually, determines whether, on the disposal of a single house, there is a part disposal of a block or complete disposal of one house. If, in acquiring the block, a separate value was clearly attached to each component this could enable individual treatment to be applied on a disposal. It may be desirable when acquiring assets in the future to see that values are attached to identifiable units, to simplify the part disposal procedure. It is in dealing with assets, particularly land acquired prior to April 6th, 1965, that special difficulties arise. To the problem of identifying the asset out of which a part disposal is made, problems of valuation are added, and decisions, such as whether to make an election for April 6th, 1965, value, may have to be taken before their effect can be known with any degree of certainty.

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Chattels

FA 1965
s18,30

104. Chattels, or tangible movable property, include a variety of items such as plant and machinery, boats, works of art, stamp collections, musical instruments, furniture, jewellery and livestock but not commodities dealt in on a terminal market or foreign currency.

105. The rules are similar for both the short- and long-term tax. No liability arises if the consideration does not exceed £1,000, which eliminates a large number of small transactions. If the consideration exceeds £1,000 marginal relief applies so that the tax payable is not greater than one-half of the amount by which the consideration exceeds £1,000. If the consideration is less than £1,000 and a loss arises, it is limited by assuming the proceeds to be £1,000. The following examples illustrate the effect of these rules:

Cost	Consideration	
£	£	
500	950	No liability.
600	1,200	Chargeable gain £600 – tax limited to £100 for either short- or long-term tax.
900	700	No loss.
1,200	600	Allowable loss limited to £200 for either tax.

106. Some chattels, e.g. plant, boats and race-horses are wasting assets for the long-term tax and cost must therefore be reduced on a straight-line basis over the predictable life if the asset has not qualified for capital allowances. The Board of Inland Revenue will no doubt establish a recognized basis for different types of assets and it is understood that this has already been done, by agreement with the Joint Turf Authorities, for race-horses. Their 'life' extends generally from their fourth year, when they become mature, until their fourteenth year.

107. Sets of articles such as matching jewellery, owned at one time by one person and disposed of on

one or several occasions to the same person, to connected persons, or to persons acting in concert are treated as a single asset, so that liability cannot be avoided by disposing of components at less than £1,000 each, where the overall value of a set is in excess of £1,000.

108. Where there is a part disposal of a chattel the consideration is aggregated with the market value of the part not disposed of to ascertain whether the whole is in excess of £1,000. The $\frac{A}{A+B}$ formula is then applied to total cost for computing the gain or to half the total excess over £1,000 for marginal relief. Where $A+B$ is less than £1,000 and there is an overall loss, the limiting consideration of £1,000 for the whole is apportioned to the part by means of this formula:

$$A + \frac{A}{A+B} (1,000 - (A+B))$$

Suppose a chattel cost £1,200 and a one-quarter share is disposed of for £100, when the market value of the three-quarter share is £300, the allowable loss is computed as follows:

$$\text{Cost} \dots = \frac{100}{100+300} \times £1,200 = £300$$

Proceeds:

$$100 + \frac{100}{100+300} (1,000 - (100+300)) = £250$$

$$\text{LOSS} \dots \dots \dots \underline{\underline{£50}}$$

It will be observed that this loss is one-quarter of the difference between total cost (£1,200) and £1,000.

Shares and securities

109. Because a holding of shares of the same class and held in one capacity is a single asset and yet can be varied by acquiring or disposing of shares, special rules of identification are laid down, which also apply to other assets such as commodity futures 'where the assets are of a nature to be dealt in without identifying the particular assets disposed of or acquired'.

110. For the short-term tax, the identification rules preclude any 'picking and choosing' and are detailed. For most practical purposes disposals are matched first with purchases in the same Stock Exchange account and then with the earliest acquisitions within the preceding twelve months. A disposal is not matched with shares acquired as a legatee if it can be matched with other acquisitions. Where shares are disposed of at a loss and are re-acquired within one month, or within six months if not through a Stock Exchange, no relief is given for the loss except against a gain from a subsequent disposal of those shares. A 'bear' transaction is always within the short-term tax.

111. The long-term tax operates, for both quoted and unquoted shares, to create a 'pool' averaging the cost:

'Shares of the same class held by one person in one capacity shall be regarded as indistinguishable parts of a single asset growing or diminishing when additional shares are acquired or some disposed of.'

The operation of the pool differs for quoted and unquoted shares in respect of pre-April 7th, 1965, holdings (paragraphs 155 and 157).

FA 1962
9th sch
p8(9)
FA 1965
sch 7
p2(7)

FA 1962
9th sch
p8,9

FA 1965
sch 7
p2

112. The practice of a recognized Stock Exchange establishes the 'same class', whether shares are actually quoted or not. Employees' shares with restricted rights are regarded as held in a different capacity from other shares of the same class.

113. On a disposal of shares, unless a complete holding is disposed of, the part disposal rules apply, although it is normally sufficient to apportion costs according to the number of shares involved. Shares identified for the short-term tax are eliminated from the 'pool' at their acquisition cost.

114. A reorganization of the share capital of a company may occur which affects a shareholding but does not involve a complete disposal. Generally a part disposal only occurs when the shareholder is entitled to any cash. Any other changes, affecting all shareholders of the same class in relation to their holdings including the conversion of securities, are related to the acquisition of the original holdings. These principles are amplified in the succeeding paragraphs.

Bonus issues

115. Where shares or debentures are allotted in proportion to existing shareholdings, the old and the new combine to form increased original holdings.

Rights issues

116. Where rights are taken up the payment is treated as an additional cost of increased original holdings at the time those were acquired.

117. On a disposal of rights the short-term tax applies only to the extent that the rights can be identified with a holding acquired within the time limit, and there is then a part disposal of that holding. The sale proceeds and total costs must include any unpaid liability, as if the rights had been taken up and paid for in full, and the $\frac{A}{A+B}$ formula then applied to the total costs.

118. For the long-term tax a disposal following a rights issue involves the part disposal of a combined asset, but if the rights are disposed of before any payment is due, this is treated as though the sale proceeds were a capital distribution.

Amalgamations

119. A new holding issued in exchange for shares or debentures in a company on a take-over bid merely replaces the old holding. If any part of the consideration is in cash it is then treated in the same way as a capital distribution.

Redemption of share capital

120. The paying off of any redeemable share capital is regarded as a disposal except when the redemption is by the issue of new shares or debentures.

Capital distributions

121. Any distribution in respect of shares from a company in money or money's worth, other than one which constitutes income in the hands of the recipient, is treated as a part disposal being a disposal of an interest in respect of those shares. This arises when cash is received on an amalgamation or on repayment of share capital, or, for the long-term tax, when sums

are received during liquidation or on disposing of rights.

122. For the long-term tax small distributions in relation to the current value of the shares may be deducted from the cost of the shares. This is, with a right of appeal by the taxpayer, subject to the discretion of the inspector, who is expected to regard anything under 5 per cent as small.

Apportionment of cost for quoted holdings following a reorganization

123. Where on a reorganization an old holding is replaced by shares or debentures of more than one class, the cost of the original holding is apportioned to the different classes by reference to market values on the first day of quotation. This divides the asset so that, on any subsequent part disposal, the

$$\frac{A}{A+B}$$

formula applies only to the shares of one class.

Options

124. For the short-term tax an option is regarded as a conditional contract and is only taxable if it is assigned or if it is related to a chargeable transaction in the asset concerned, in which case the option money is included in the venture account relating to the acquisition and disposal of the asset.

125. If an option is not exercised the contract is disregarded because the condition is not satisfied. The date of a conditional contract is fixed by the condition being satisfied, but this is qualified on a disposal if the option fixed the price, as the contract is then treated as unconditional. Such a disposal is regarded as taking place when the option is granted as far as the disposal is concerned, but the corresponding acquisition is deemed to take place when the option is exercised.

126. For the long-term tax the exercise of an option merges the option money with the principal transaction. If the option is abandoned the grantor is treated as having made a disposal on granting the option so that he is taxable, but the grantee is not so treated and no loss is allowed to him. A forfeited deposit in respect of an abandoned purchase of an asset falls into this category. The assignment of an option is a chargeable transaction and if this relates to buying or selling shares on a Stock Exchange, the option is treated as a wasting asset.

127. Option rights granted to directors or employees to acquire shares in a company can give rise to income tax under Schedule E, when exercised.

Land including leases

128. The legislation on the subject of land is voluminous and ever-changing, and, in relation to capital taxes, interwoven with so many rules that it is difficult to appreciate the effect of even the simplest transaction, particularly as so much of the legislation is of 1967 origin. Land has a wide meaning and includes freehold interests and leases of both land and buildings. Disposals or part disposals can arise in a variety of ways but the chief occasions are when a freehold is sold, a lease assigned, or a lease or sub-lease granted. The position is best understood by

FA 1962
9th sch
p10,11
FA 1965
sch 7
p4,5

FA 1966
sch 10
p7,15

FA 1962
9th sch
p1,2

FA 1965
sch 7
p14

FA 1966
sch 10
p8

FA 1962
9th sch
p12,13
FA 1965
sch 7
p6,7

FA 1966
sch 525

FA 1962
9th sch
p10(7)
FA 1965
sch 7
p4(7)

FA 1962
9th sch
p10(4)
FA 1965
sch 7
p3,4(4)

first examining the rules in existence before betterment levy applies.

FA 1963
S22-25

129. 'Income' taxes on land apply to dealers but they also apply where a premium is received by a landlord on the granting of a lease for fifty years or less, when some of the premium has to be treated as income under Case VIII – and in some cases under Case VI. This income is taken as the amount of the premium reduced by 2 per cent for each complete year, minus one, comprised in the duration of the lease.

A lease granted for eleven years with a premium of £3,000 gives the following taxed amount:

Premium	..	..	..	..	..	£3,000
Less 2% × (11 — 1) = 20%	..	..	..	..	..	600
Taxed amount	..	..	..	..	..	<u>£2,400</u>

Sale of freehold or assignment of lease

FA 1962
S13(5)

130. Where the short-term tax applies the general rules require the 'venture' account to be drawn up, the consideration and cost being apportioned as necessary to relate to the chargeable asset involved. If the acquisition of the chargeable asset enhanced the value of adjoining land, which is also included in the disposal but is not chargeable because it is outside the time limit or is otherwise exempt, the extent of this enhancement has to be added to the disposal consideration.

FA 1965
sch 8
p1

131. Where the long-term tax applies the normal rules of disposal operate. A disposal of a lease when it has fifty years or less to run is treated as a wasting asset. The deductible cost is reduced by applying to it the percentages taken from the table at the appropriate times to produce the formula:

Duration of lease on acquisition — Duration on disposal
(or on incurring additional expenditure)

Duration on acquisition
(or on incurring additional expenditure)

If the lease had more than fifty years to run when acquired, but less when disposed of, the duration on acquisition is regarded as fifty years.

As an example, the gain on a lease acquired for £10,000 when it has forty years to run and disposed of for £9,000 when it has twenty-five years to run would be calculated as follows:

Consideration	..	..	..	..	..	£9,000
Cost	..	..	..	..	..	£10,000
Less Application of formula:						
40 yrs — 25 yrs	=	95.457 — 81.100				
40 yrs		95.457	×	£10,000	=	1,504
						<u>8,496</u>
GAIN	..	..	..	..	..	<u>£504</u>

Grant of lease or sublease

FA 1962
S12(11)

132. There is no disposal for the short-term tax where a lease is granted for an undisguised term of less than twenty-one years. (This does not eliminate the operation of the long-term tax.) Where a lease is granted for a longer term, the 'venture' account includes the premium as consideration and the deductible cost of the lease is an allocation of the costs of the freehold or head-lease out of which the lease is granted. No precise method of arriving at

this cost is prescribed for the short-term tax, but it is thought that in practice the long-term rules are likely to be followed.

FA 1965
sch 8
p2

133. The long-term tax treats the grant of a lease as a part disposal, but provides different rules for grants out of freeholds and out of leases with more than fifty years to run on the one hand and for grants out of short leases on the other hand.

134. The gain on a lease granted out of a freehold would be calculated by deducting from the premium the part cost of the freehold by applying the

$\frac{A}{A+B}$ formula:

Consideration = Premium for Lease (A)

Less $\frac{\text{Premium for lease (A)}}{\text{Premium for lease (A) + market value of reversion (B) (incl. right to rent under lease)}} \times \text{cost of freehold}$

= Deductible Cost

GAIN

FA 1965
sch 8
p5
FA 1967
sch 13
p8

135. Where a Case VIII liability arises the taxed amount is deducted from the consideration but the

$\frac{A}{A+B}$ formula takes the net amount into the numerator of the fraction only. A freehold acquired in 1966 for £10,000 and a lease granted in 1970 for eleven years with a premium of £3,000 when the market value of the reversion was £9,000 gives the following chargeable long-term gain:

Premium	..	..	..	..	..	£3,000
Less Amount taxed under Case VIII	..	..	..	..	..	<u>2,400</u>
						600

Cost of part disposal:

600	×	£10,000	=	..	..	500
3,000 + 9,000						
GAIN	..	..	..	..	..	<u>£100</u>

FA 1965
sch 8
p4

136. Where a sublease is granted out of a short lease, which is a wasting asset, this is treated as a part disposal of the head-lease, and the allowable cost is that part of the expenditure which would waste over the period of the sublease, taken from the table. Any taxed amount under Case VIII is deducted from the gain. Detailed examples of computations dealing with subleases are clearly set out in the Inland Revenue yellow booklet on *Capital Gains Tax* (560) from page 75.

137. These general rules affecting land have so far given no consideration to the betterment levy, which is likely to have a material effect on a large number of land transactions. Although the levy may arise on disposals affecting dealers and the short-term tax where taxes on income are involved, the computations are only affected by the levy being treated as an expense. For the long-term tax the basis of computation requires different rules to be considered, but these do not generally apply where there is no chargeability to levy, such as on disposals before April 6th, 1967, on land outside Great Britain or on land without development value, nor do they apply if the taxpayer elects otherwise. Before considering the revised rule

FA 1967
S33(3)

it is necessary to examine the main principles of betterment levy:

Betterment levy

LCA 1967
part III

138. The Land Commission Act 1967, which applies only in Great Britain, imposes the betterment levy under Cases A to F, where any increase in the development value of land, or compensation for its restriction in value, is realized on or after April 6th, 1967. It affects a vendor of property (Case A), a lessor (Case B) and a developer (Case C) subject to a few exemptions such as charities, local authorities and statutory bodies. The present rate is 40 per cent for all persons. The levy is interrelated with capital gains tax and they are both likely to arise on the same occasions, but there are exceptions. The levy applies when a project of material development is begun, which does not constitute a disposal for capital gains tax. The levy does not apply on a 'deemed' disposal at market value, as when a gift is made or on death. Estate duty paid in respect of the development part of a valuation of land may be allowed as a deduction from the consideration when levy next arises, provided this is within six years of the death.

sch 7

139. Development value exists where the current use value of land is enhanced by the prospect of material development. Current use value is a focal point which divides the incidence of betterment levy from that of the capital gains tax, and is determined by assuming that planning permission would not be given for a project which is of material development. Current use value is likely to coincide with market value for agricultural land with no prospects of development and for land which has been fully developed. Between these extremes the disparity between the two values can vary considerably and the difference normally represents development value.

LCA 1967
s29
sch 4
part I

140. The computation of the levy is perhaps best illustrated by indicating first the formula which is applied in its simplest form at the date of conveyance of a freehold or assignment of a tenancy (Case A).

SALE PROCEEDS £20,000

Deduct

BASE VALUE

11/10ths of current use value 9,900

10,100

Deduct

Capital expenditure £3,000

Less Increase in current use value 500

Increase in development value
due to expenditure 2,500

NET DEVELOPMENT VALUE 7,600

Deduct Costs of valuation 600

BETTERMENT LEVY at 40 per cent on £7,000

LCA 1967
sch 5

141. The base value can, as an alternative to the above, be taken as the consideration given for a previous disposition falling within the 'antecedent period' (July 1st, 1948 to September 22nd, 1965) or after April 5th, 1967. Capital expenditure can also be taken into account, but there is no adjustment to current use value where the previous disposition was in the antecedent period. Eventually for land ac-

quired after April 5th, 1967, this will be the normal basis for calculating levy, which will then bite into the increase in development value since the last disposition.

LCA 1967
s30
sch 4
part II

142. Where there is the grant of a tenancy (Case B) the formula is similar but the part disposal element is brought into account, the reversionary interest (R) being in this case the market value of the grantor's right to possession at the end of the tenancy.

CONSIDERATION

Premium £5,000
Capitalized value of rent 20,000

T £25,000

Deduct

BASE VALUE

11/10ths of current use value

$\times \frac{\text{Consideration (T)}}{\text{Consideration (T) + Reversionary Interest (R)}}$

say, 3,300 $\times \frac{25,000}{25,000 + 50,000} = 1,100$

23,900

Deduct

Capital expenditure 3,500

Less Increase in current use
value 500

Increase in development $\frac{T}{T + R} \times 3,000 = 1,000$
value due to expenditure

NET DEVELOPMENT VALUE 22,900

Deduct

Costs of valuation 900

BETTERMENT LEVY at 40 per cent on £22,000

sch 5

143. The same alternative for base value can be taken, relating it to the consideration for the previous disposition in the antecedent period or after April 5th, 1967.

FA 1967
sch 15

144. If any of the premium is assessable under Case VIII a reduction is made in respect of betterment levy before calculating the 2 per cent related to the duration of the lease. The reduction is the betterment levy calculated above $\times \frac{\text{Premium.}}{T}$

Revised rules for capital gains tax

FA 1967
s33(1)
sch 14
pt-3

145. For disposals after April 5th, 1967, of land in Great Britain with development value capital gains tax is normally calculated on the difference in current use value between acquisition and disposal. Any increase in current use value, due to interim expenditure or occurring when a project of material development is begun, is treated as deductible expenditure. This does not apply to land held at April 6th, 1965, which must be regarded as acquired at current use value on that date.

FA 1967
s33(5)

s33(3)

146. An election can be made, within two years of the end of the fiscal year in which the disposal took place to apply the ordinary rules of computation. Land held at April 6th, 1965, which has development value on disposal, must again be regarded as acquired at that date, but at full market value as amplified in paragraph 154.

From Shield Factors' Files

The Man who talked in Time



would not tolerate bad debts from a market new to them. And a lot of these enquiries were from firms unknown to Mason too.

"I'm not going to risk it," he said to his assistant when they were both at the Exhibition to see how things were going. "A few bad debts could sour the atmosphere with old J.B.—apart from anything else."

"Why don't you sell only to Shield-approved accounts?" interposed a neighbour from a nearby stand who was indulging in that well-known Exhibition custom—a rake-round the other fellow's exhibits.

"What on earth is a Shield-approved account?" asked Mason, much intrigued. "It's one of the advantages of dealing with Shield Factors" explained the man who talked in time. "The Shield people give credit clearance—or not—regarding your new customers before you start doing business. So *you* are completely protected."

"That sounds as if it should delight J.B."

* * *

It did. And at first Nigel Mason little suspected how much. In addition to cutting out all possibility of bad debts, Shield Factors have saved the whole Group the cost and bother of ledger keeping, debt collection and account rendering. There is also access to immediate finance should it be needed, as well as an assured cash in-flow each month, according to each company's sales and deliveries.

"I still like my sherry out of a glass" confided old J.B. one day, "but it was a happy day for us when we got involved with plastics."

Find out more about Shield Factors and you'll agree that new ventures require new financial techniques.

* * *

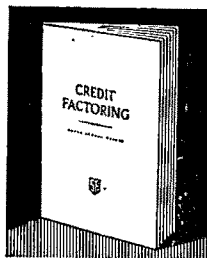
DIVERSIFICATION was in the air when the fateful letter arrived. After all, the Jason Brown Group of Companies was the parent organisation behind several engineering firms, book publishers, and wine and spirit merchants—but plastics, that was something quite new.

The letter was from a comparatively young but fast-growing plastics company whose expansion was outgrowing its strength. Its Managing Director, Nigel Mason, had seen an advertisement by the "J.B. Group" inviting medium-sized companies of repute to come under "the J.B. umbrella", while retaining their own identity. So he enquired.

* * *

Everything went swimmingly. Nigel Mason's firm "came in from the cold". Then at the Plastics Exhibition a flood of enquiries from firms eager for new types of plastic products was a temptation—and a tribulation.

Nigel Mason knew that J.B. and the other Group Directors



* Details of Shield service are given in this booklet: "Credit Factoring", a copy of which is waiting for you. Write or 'phone (asking for Mr. F. R. Salinger or for Mr. E. S. Davis) and it will be sent to you by return.

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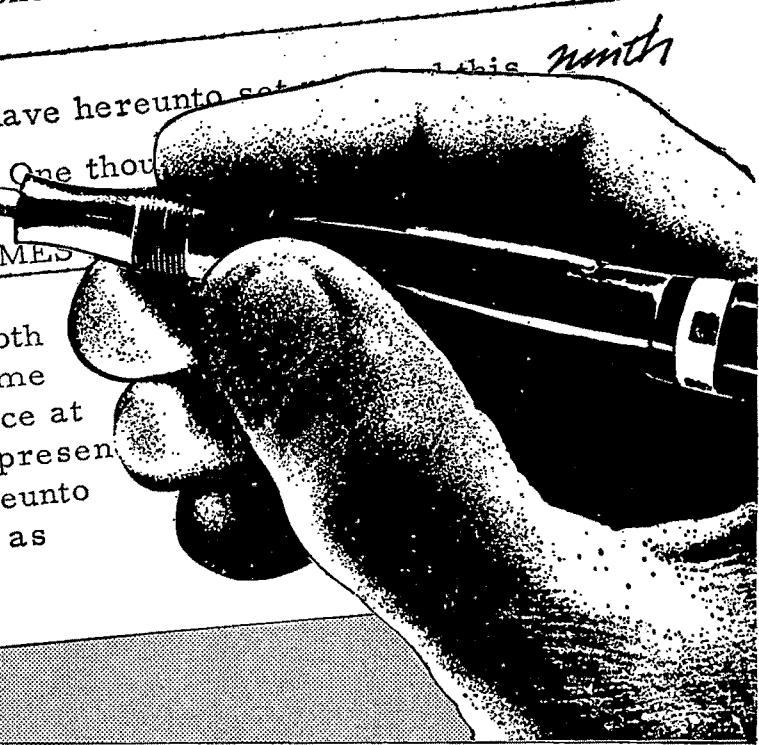
CANCER RESEARCH DESERVES TO BE REMEMBERED

MILHARD

4. I GIVE DEVISE AND BEQUEATH all the rest and --
my real and personal estate whatsoever and wheresoever situate
unto the BRITISH EMPIRE CANCER CAMPAIGN FOR RESEARCH
11 Grosvenor Crescent London S.W.1. and I direct that the receipt
of the Honorary Treasurer or other proper officer for the time
being of the above mentioned charity shall be a sufficient discharge
to my Executors

IN WITNESS whereof I have hereunto set my hand and seal this *ninth*
day of *Tu* One thousand

SIGNED by the said JAMES
as and for his last Will
in the presence of us both
being present at the same
time who in his presence at
his request and in the presence
of each other have hereunto
subscribed our names as
witnesses



You may be asked from time to time to suggest a deserving cause as the subject of a bequest. Please remember that every year the British Empire Cancer Campaign for Research has to find more and more money for cancer research work not only in this country but in many parts of the Commonwealth. All this money must come from voluntary donations and bequests. The appropriate words to use in a will are: "I bequeath to the British Empire Cancer Campaign for Research the sum of £....." or "I devise and bequeath the residue of my estate to the British Empire Cancer Campaign for Research".

For further information please write to The Viscount Mills, P.C., K.B.E., Hon. Treasurer, British Empire Cancer Campaign for Research, Dept. AL, 11 Grovesnor Crescent, London SW1.

PATRON: HER MAJESTY THE QUEEN PRESIDENT: H.R.H. THE DUKE OF GLOUCESTER

BRITISH EMPIRE CANCER CAMPAIGN FOR RESEARCH

sch 14
P7

147. For deemed disposals after April 5th, 1967, such as when gifts are made or on death, current use value must be substituted for market value.

LCA 1967
sch 8

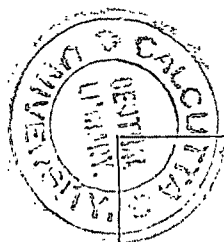
148. The two-year gap between the commencement of capital gains tax and that of betterment levy had caused fifteen pages of almost unintelligible legislation to be produced. Its purpose is to give relief where both tax and levy would otherwise apply to the same increases in value. This relief is given by allowing betterment levy to be reduced by the amount of capital gains tax and applies in these circumstances:

- (1) Where, after April 5th, 1967, there is a disposal involving both tax and levy and the previous

disposition for valuable consideration was either in the antecedent period (July 1st, 1948, to September 22nd, 1965) and this consideration was chosen as the base value for levy, or it was in the interim period (September 23rd, 1965, to April 5th, 1967) when this consideration cannot be chosen.

- (2) Where in the two-year gap capital gains tax arose on a deemed disposal, e.g. gifts, death, settlements, and betterment levy first applies not more than six years later. In this case the person liable to levy is likely to be different from the person who was liable to tax.

(To be concluded.)



Taxation Cases

Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'

Minister of Labour v. Reliant Tool Company

In the Court of Session (First Division)
May 4th, 1967.

(Before Lord GUTHRIE)

Selective employment tax - Refund - Premium - Designing machines and tools - Whether manufacturing metal-working tools - Whether professional or scientific services - Whether minimum list headings mutually exclusive - Minimum list headings 332, 879.

The respondent's business consisted basically of designing machine tools, although other tools could be made if required. The designs were produced on a contract basis for manufacturing businesses, and the respondents did not deal with the public. The tools could not be made without being designed, and the designing was a necessary stage in their manufacture. Drawings and specifications of the finished product were usually drawn up by the respondents' customers and handed over to the respondents before the latter's designing began.

The Industrial Tribunal decided that the respondents were entitled to selective employment premium.

The Minister of Labour appealed on the grounds that the respondents' activities were not those of manufacturing, and that the activities fell under heading 879. It was contended for the respondents that their activities were those of the manufacturing of products within heading 332, and not the rendering of professional or scientific services within heading 879.

Held: as the designing was a necessary stage in the manufacture of the machine tools in question, it was a part of the

process of manufacture within heading 332, and that the respondents were entitled to the premium.

Minister of Labour v. Shieldness Produce Limited

In the Court of Session (First Division)
May 12th, 1967.

(Before Lord GUTHRIE)

Selective employment tax - Refund - Premium - Processing of vegetables - Pre-peeling of potatoes - Sale to catering trade - Whether manufacturing of food - Whether a manufacturing process - Effect of 'etcetera' - Food Industries not elsewhere specified - Selective Employment Payments Act 1966, section 1 - Standard Industrial Classification - Minimum list headings 229, 449, 810.

The company carried on the processing of vegetables and the pre-peeling of potatoes for sale to caterers. The sales were of whole peeled potatoes or of potato chips. The peeling process was largely automatic in successive stages. First the potatoes were cleaned of dirt; then they were passed through a tank containing a solution of caustic soda; next they were transferred to a pulp-removing machine to remove the skin, which had been softened and corroded by the caustic soda. The potatoes were next passed to trimming tables, where women workers removed blemishes and deep eyes; passed, either whole or in chips, into a bath of preservative; and finally packed in polythene bags for direct delivery to catering establishments. A very similar process had been used to prepare vegetables for canning and to remove the shells of nuts.

The Industrial Tribunal decided that the company was entitled to selective employment premium because the process in question was a manufacturing one.

The Minister of Labour appealed on the ground that the process was not one of manufacturing food under minimum list heading 229 of Order III of the Standard Industrial Classification; and that the activities fell under minimum list heading 810. It was contended for the company the process was the manufacturing of food within heading 229; and that in any event the process was a manufacturing one within heading 499.

Held: the company's activities were those of a food industry within heading 229; and that the fact that the company sold the potatoes was immaterial.

Finance and Commerce

Thomas Ratcliffe

THE successful defeat of take-over approaches very often leaves a company open to trouble. The case histories of companies failing to achieve the level of profits forecast in the heat of a take-over battle do not provide impressive reading. This is so in the case of Thomas Ratcliffe & Co, the 'Moderna' blankets company, whose 2s ordinary shares reached a peak of 7s 3d in 1966 when the company was defending itself against two take-over bidders. The bidders were eventually defeated by a combination of impressive profit and dividend forecasts and a

financial and trading association with another concern, Associated Textiles, which now owns the whole of the convertible unsecured loan stock and is substantially interested in the Ratcliffe equity. The shares currently stand at 3s 3d.

Chairman of Ratcliffe is now Mr George Meredith, F.C.A., and, in a preliminary statement before the issue of the accounts from which this week's reprint is taken, he had to admit that 'it is just over twelve months since I was appointed a director and chairman, and this is the third time I have had to report incorrect forecasts. Under the circumstances a reconstitution of the board is under consideration'.

Last April it was necessary for Mr Meredith to report that the board's interim forecast had proved to be incorrect and that trading results for the year would barely break even.

Bad forecasting

Subsequently it became apparent that the December stock was incorrectly stated and had furthermore failed to take full account of an earlier fall in wool prices. In addition, stock losses were suffered following the failure of a promotional contract on which a considerable amount of faith had been placed.

As the accounts show, trading profits were back from £108,831 to £63,338 and at the pre-tax position there was

THOMAS RATCLIFFE & CO LTD AND SUBSIDIARY COMPANIES CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 1967

	1967 £	1966 £	NOTES	1967 £	1966 £
Trading Profit before Depreciation - Note 1	43,318	90,985	1 Trading Profit of the Group (all attributable to Thomas Ratcliffe & Company Limited) is arrived at after deducting:		
Less Depreciation - Note 2	40,217	32,049	Directors' Fees	1,975	1,500
Trading Profit	3,101	58,936	Directors' Remuneration	17,435	15,728
Less Interest on borrowed money - Note 3	34,927	19,321	Auditors' Remuneration	610	618
Loss (Profit) before Taxation	31,826	39,615	2 Depreciation has been provided on Fixed Assets by the reducing balance method		
Add (Less) Taxation - Note 4	32,266	12,274	3 Interest on borrowed money		
Surplus after Taxation	440	27,341	Loans (unsecured)	8,477	3,084
Add Retained Profits brought forward from previous years	197,387	191,196	Bank Interest and Finance Charges	26,450	16,237
	197,827	218,537		34,927	19,321
Less Dividends - Note 5	14,812	21,150	4 Taxation		
Profit Retained	183,015	197,387	Corporation tax	—	14,674
Less Amounts written off - Note 6	136,259	—	Less Relief for Investment Allowances	32,266	2,400
Total Group Profits carried forward - Note 7	46,756	197,387	Excess Provisions in previous years	Cr. 32,266	Dr. 12,274
			5 Dividends paid		
			Preference of 6% on £100,000	6,000	6,000
			Ordinary of 7½% on £117,500 paid 31st January, 1967 (15% 1966)	8,812	17,625
				14,812	23,625
			Less: Income Tax deducted and retained	—	2,475
			Net Cost of Dividends	14,812	21,150
			6 Amounts Written off		
			Stock held at April, 1966	32,259	—
			Adjustment for change in basis of Stock Valuation	104,000	—
				136,259	—
			7 Total Group Profits carried forward		
			Parent Company	49,998	195,866
			Subsidiary Companies	—3,242	1,521
				46,756	197,387

The Notes appearing on the opposite [column] form part of this Account

THOMAS RATCLIFFE & CO LTD AND SUBSIDIARY COMPANIES

BALANCE SHEET AS AT 30 APRIL 1967

	1967 £	1966 £
Fixed Assets – Note 1	521,744	500,478
Subsidiary Companies:		
Shares at cost	13,367	13,367
Amounts receivable	23,938	19,936
Dividends receivable	—	150
	37,305	33,453
Current Assets:		
Stock at cost or lower net realisable value	391,438	640,229
Debtors and prepayments less provisions	90,645	80,521
Cash in hand and at bank	754	585
	482,837	721,335
	1,041,886	1,255,266
Less Current Liabilities:		
Creditors and accrued charges	323,811	323,870
Bank overdraft (secured by a mortgage debenture)	256,047	214,140
Loan accounts (unsecured)	27,735	35,585
Corporation Tax payable 1st January, 1969	—	12,160
Other Current taxation	4,117	73,820
Unclaimed dividends	198	109
Proposed dividend	—	17,625
	611,908	677,309
	429,978	577,957
Funds Employed		
Share Capital – Note 2	217,500	217,500
Capital Reserves – Note 3	79,980	81,591
Revenue Reserves – Note 4	52,498	198,366
Total Share Capital and Reserves	349,978	497,457
7½% Convertible Unsecured Loan Stock 1981/86 (and accrued interest) – Note 5	80,000	80,500
	429,978	577,957

GEO. MEREDITH, F.C.A. } Directors
E. A. SPENCER }

The Notes appearing on page [532] form part of this Balance Sheet

CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 1967

	1967 £	1966 £
Fixed Assets – Note 1	565,691	537,077
Current Assets:		
Stock at cost or lower net realisable value	401,973	644,579
Debtors and prepayments less provisions	95,240	85,804
Cash in hand and at bank	819	2,481
	498,032	732,864
	1,063,723	1,269,941
Less Current Liabilities:		
Creditors and accrued charges	326,358	327,628
Bank overdraft (secured by a mortgage debenture)	275,738	220,514
Loan accounts (unsecured)	27,735	35,585
Corporation Tax payable 1st January, 1969	27	12,274
Other Current taxation	4,217	74,014
Unclaimed dividends	198	109
Proposed dividend	—	17,625
	634,273	687,749
	429,450	582,192
Funds Employed		
Share Capital – Note 2	217,500	217,500
Capital Reserves – Note 3	82,694	84,305
Revenue Reserves – Note 4	49,256	199,887
Total Share Capital and Reserves	349,450	501,692
7½% Convertible Unsecured Loan Stock 1981/86 (and accrued interest) – Note 5	80,000	80,500
	429,450	582,192

GEO. MEREDITH, F.C.A. } Directors
E. A. SPENCER }

The Notes appearing on page [532] form part of this Balance Sheet

a loss of £31,826 against a profit of £39,615. From a trading point of view, as the chairman says in his statement with the accounts, the understandable factors in the position were a fall of nearly 20 per cent in wool prices over the year, high interest rates, the general effects of the credit squeeze and the promotional contract failure.

What is not understandable is the bad forecasting. Management consultants, Norcross & Partners Ltd, were brought in last December and, although their main recommendations only became effective at the beginning of the current financial year last May, the consultants recommended that 'contrary to previous practice indirect overheads of £104,000 should be eliminated from the stock valuation'.

A total of £36,259 has been provided out of group profits available for carry forward to cover this item, and errors in stock valuation and certain slow moving stocks have been written off.

Board changes

A new managing director has been appointed following the retirement of the previous managing director who had held that office for forty years. Three other directors have resigned from the board but continue with the company in their respective executive capacities and Mr Meredith's

intention is to strengthen the board by the appointment of a further full-time director with specialized commercial experience. In the interim the management consultants' representative will continue to advise the board.

Commenting on the basic troubles in the company, Mr Meredith says 'It is apparent that in the past, with a view to keeping abreast of current developments, a high proportion of the company's funds has been invested in plant and buildings with too little regard to the profitability likely to result or to the heavy burden of depreciation'.

So as to restore equilibrium to some degree, arrangements are in hand, shareholders are told in the report, for the disposal of the manufacturing plant of a subsidiary company and the concentration of all production under one roof. This should lead to the more efficient use of manpower and machinery, a reduction in expenses and an improvement in the liquid position.

Winter selling

Naturally enough after so many setbacks, Mr Meredith hesitates to commit himself firmly to any forecast on the future profitability of the company. But he ventures to say that the profit plan and budgets set by the management consultants have so far been achieved. Ultimate profitability depends on the results of the winter selling season

THOMAS RATCLIFFE & CO LTD AND SUBSIDIARY COMPANIES

NOTES ON THE BALANCE SHEETS

	T. Ratcliffe & Co. Ltd.		Group	
	1967	1966	1967	1966
1 Fixed Assets				
Freehold Land and Buildings (at cost less amounts written off to 1st December, 1947)	£ —	£ —	£ 8,696	£ 7,845
Freehold Land and Buildings at valuation 1965 and at cost	185,052	186,052	185,052	185,052
	185,052	185,052	193,748	192,897
Less Depreciation since 1st December, 1947	9,202	4,652	10,298	5,297
	175,850	184,400	183,450	187,600
Plant, Machinery, Vehicles, etc., at cost	586,765	533,462	631,524	568,105
Less Depreciation	240,871	213,384	249,283	218,628
	345,894	320,078	382,241	349,477
Total Fixed Assets	521,744	500,478	565,691	537,077
2 Share Capital	1967		1966	
6% Cumulative Preference Shares of £1 each	Authorised 100,000	Issued 100,000	Authorised 100,000	Issued 100,000
Ordinary Shares of 2s. each	150,000	117,500	150,000	117,500
	250,000	217,500	250,000	217,500
3 Capital Reserves	T. Ratcliffe & Co. Ltd.		Group	
Balance brought forward	1967 81,591	1966 4,000	1967 84,305	1966 6,714
Surplus on revaluation of Land and Buildings		81,650		81,650
		85,650		88,364
Less: Amounts written off - Costs of Capital Reorganisation, etc.	1,611	4,059	1,611	4,059
	79,980	81,591	82,694	84,305
4 Revenue Reserves				
General Reserves	2,500	20,000	2,500	20,000
Less Amount capitalised on issue of 7 Ordinary Shares for every 4 Preference Shares held		17,500		17,500
		2,500		2,500
Retained Profits	49,998	195,866	46,756	197,387
	52,498	198,366	49,256	199,887

5 Holders of 7½% Convertible Unsecured Loan Stock 1981/86 are entitled, during the month of October in the year 1967, 1968 or 1969, to convert the Stock into Ordinary Shares of 2/- each in the capital of the Company, the proportion being 14 Ordinary Shares of 2/- each for every £5 of Stock.

6 Capital Commitments

Capital Expenditure commitments at 30th April, 1967, amounted to £12,000 for T. Ratcliffe & Co. Ltd. and the Group.

and Mr Meredith suggests that 'unless this is very much worse than anticipated, a dividend of not less than 7½ per cent should be possible'. He promises another statement early next year – in or about January – when the year's results should be more predictable.

Troubles, as every one knows, never come singly, and Ratcliffe's troubles have come when the wool textile industry in most sections is finding the trading going par-

ticularly hard. Clearly the necessary action has been taken to correct previous inadequacies in the financial organization and management, but present trading conditions are likely to prove a decidedly stiff test of the new structure.

One point that should finally be made is that the two companies which were battling to take over Ratcliffe have since merged and their combined forces are now a strong competitor in Ratcliffe's line of business.

CITY NOTES

CURRENTLY the stock-markets give the impression of wanting to change their mood – if only they dared. This invariably happens after a long rise or a long fall.

The eleven months' rise in equity prices has allowed the statisticians and prognosticators to take stock of the present and take a look ahead. Looking ahead is an operation which, in optimistic terms, sees another fifty points on the index on the basis of rising industrial earnings through production efficiencies.

In pessimistic terms it sees that rising costs of labour and power and taxation have already caught up with the savings achieved through squeeze-enforced economies. It also sees a French veto, not only of Britain's entry into the Common Market, but even of negotiations for entry, as well as an economy presently and potentially crippled by strikes, with poor October trade figures to follow the bad September ones.

There is probably more of a 'bear-bull' battle in the equity market now than there has been for some months.

* * * *

MUCH needed rationalization in the unit trust industry is expected to be achieved before many more months

are out. The gradual domination of the industry by the clearing bank and merchant bank-sponsored or supported managements has made the regrouping of smaller and newer management organizations inevitable through sheer economic pressure. Small trusts with small turnover cannot pay under present conditions of changed selling techniques. The unit trust industry needs not only regrouping of managements; it also needs rationalization of trusts and that is a different and more difficult operation.

* * * *

THE G.E.C.-A.E.I. tussle shows all the indications of being the type of bitter take-over affair that, in the final reckoning, will probably do neither industry nor the City much good. The affair could prove to be a test of the Industrial Reorganization Corporation's true intentions. General Electric has I.R.C.'s moral support, and industry as a whole will be interested to see the extent to which I.R.C. forces the issue. The vehemence with which the A.E.I. board has rejected G.E.C.'s take-over terms points to a lively battle ahead.

RATES AND PRICES

Closing prices, Tuesday, October 17th, 1967

Tax Reserve Certificates: Companies 3¼% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate				Foreign Exchanges			
Jan. 3, 1963 ..	..	4%	July 14, 1966 ..	..	7%	New York ..	2.78 ³ / ₈
Feb. 27, 1964 ..	..	5%	Jan. 26, 1967 ..	..	6½%	Montreal ..	2.98 ¹ / ₂
Nov. 23, 1964 ..	..	7%	Mar. 16, 1967 ..	..	6%	Amsterdam ..	10.00 ¹ / ₈
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%	Brussels ..	138.12 ¹ / ₂
						Copenhagen ..	19.29 ³ / ₈
						Frankfurt ..	11.14 ³ / ₈
						Milan ..	1732 ¹ / ₈
						Oslo ..	19.90 ¹ / ₈
						Paris ..	13.64 ¹ / ₂
						Zürich ..	12.08 ³ / ₈
Treasury Bills				Gilt-edged			
Aug. 11 ..	£5 6s 10.56d%	Sept. 15 ..	£5 5s 9.26d%	Consols 4% ..	58½	Funding 6% 1993 ..	89
Aug. 18 ..	£5 5s 10.85d%	Sept. 22 ..	£5 7s 4.65d%	Consols 2½% ..	36½	Savings 3% 60-70 ..	89½
Aug. 25 ..	£5 5s 9.96d%	Sept. 29 ..	£5 9s 5.98d%	Conversion 3½% ..	50½	Savings 3% 65-75 ..	76½
Sept. 1 ..	£5 5s 9.56d%	Oct. 6 ..	£5 9s 6.65d%	Conversion 5% 1971 ..	94 ¹ / ₈	Treasury 6½% 1976 ..	99 ¹ / ₈
Sept. 8 ..	£5 5s 9.49d%	Oct. 13 ..	£5 9s 6.39d%	Conversion 5½% 1974 ..	93½	Treasury 3½% 77-80 ..	76½
				Conversion 6% 1972 ..	97 ¹ / ₈	Treasury 3½% 79-81 ..	72 ⁵ / ₈
				Funding 3½% 99-04 ..	57 ¹ / ₈	Treasury 5% 86-89 ..	78½
				Funding 4% 60-90 ..	96	Treasury 5½% 08-12 ..	81
				Funding 5½% 78-80 ..	87½	Treasury 2½% ..	36½
				Funding 5½% 82-84 ..	87½	Victory 4% ..	96½
				Funding 5½% 87-91 ..	86½	War Loan 3½% ..	51½
Money Rates							
Day to day ..	3½-5½%	Bank Bills					
7 days ..	3½-5½%	2 months ..	5½-5½%				
Fine Trade Bills		3 months ..	5½-5½%				
3 months ..	6½-7½%	4 months ..	5½-5½%				
4 months ..	6½-7½%	6 months ..	5½-5½%				
6 months ..	6½-7½%						

Accountancy must attract Able Recruits

Comments at Leeds Chartered Accountants' Dinner

THE importance of the accountancy profession continuing to attract its fair share of young men and women of ability was stressed by Lord Morris of Grasmere, K.C.M.G., M.A., HON.LL.D., HON.D.LITT., at the annual dinner of The Leeds, Bradford and District Society of Chartered Accountants, at the Queen's Hotel, Leeds, on Friday of last week.

Lord Morris, who was proposing the toast of 'The Institute of Chartered Accountants in England and Wales', said that in his experience accountancy was, in the best English sense, a great profession.

'We have expended a tremendous proportion of our brains on the professions and public services. Obviously in recent years the field for people of ability and high education and training has opened out immensely, and there is now a far wider practical choice than there used to be.'

But, said Lord Morris, despite the tremendous changes, he believed the

accountancy profession was still commanding a very good entry of young people.

Responding to the toast, Mr W. E. Parker, C.B.E., F.C.A., President of the Institute, said that already in his term of office he had visited the Scottish Institute and the Irish Institute, and the International Congress in Paris where he had met the leaders of the professional bodies of many countries. He had also attended the annual conference in Toronto of the Canadian Institute of Chartered Accountants.

Prestige

'These experiences have left me with no doubt of the prestige which our Institute and our profession in the British Isles enjoy in the professional world', he said.

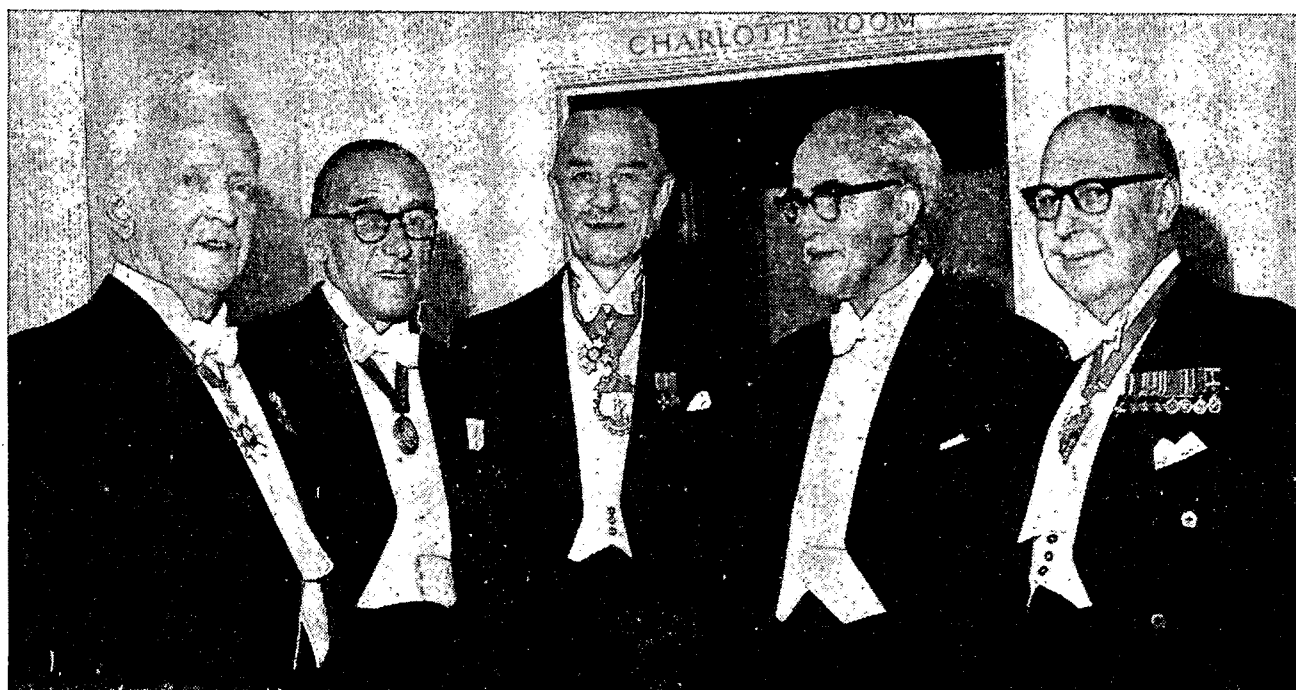
'I am also aware that in this country the professions, and our profession among them, enjoy a far greater prestige in the eyes of Government,

the business community and the general public than is the case with comparable bodies in very many other countries in the world.'

The President went on to say that the profession was anxious to preserve its status, prestige and reputation, and the 'necessity of attracting into the profession a fair share of the talent coming forward was one of the most important things which had to be grappled and faced.

'We live very much in a dynamic and not a static world', said Mr Parker.

'We must keep abreast of rapid developments in order to hold our position. If we are going to maintain our leadership we must keep several jumps ahead. We must be sure that the public and young men and women coming forward from the schools and universities are aware of what we do, are familiar with what value our services have, and can be attracted as both entrants into the profession and



Mr W. E. Parker, C.B.E., F.C.A., President of the Institute (centre) with, left to right: The Rt Hon. Lord Morris of Grasmere, K.C.M.G., M.A., Hon.LL.D., Hon.D.Litt.; Mr F. Dean, F.C.A., President of the Leeds, Bradford and District Society; Mr K. D. Robinson, M.A., Head Master of Bradford Grammar School, and Col. Lawrence Turnbull, M.C., T.D., J.P., the Lord Mayor of Leeds.

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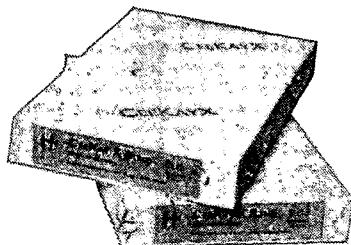
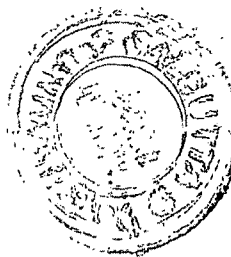
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as clients and users of the profession, by appreciation of the techniques, experience and wisdom which we ought to be able to bring to business and financial problems of all kinds as they affect individual persons and undertakings and as they affect national issues.'

Co-operation

Continuing, Mr Parker said:

'I do believe there is a great deal more scope within our own profession and professional body for co-operation between individual members. The strength of a professional body should not only lie in the qualification it confers on the individual member, but in the strength of the communal spirit of the membership in leading to relationships, one with another, not as opponents and competitors but as professional colleagues – even though they will and should compete with one another in their daily work.'

He added: 'In so far as we fall short of the ideal, I think there are two

reasons. Many of our members do not realize the value to be obtained from taking part in communal activities, and particularly on the practising side and in the smaller firms many of us are far too busy and are caught in a vicious circle which stems from the fact that our scales of fees are too low.

'This is a vicious circle, for if one is inadequately paid for one's work, one is enormously tempted to take on more work than one can possibly do, hoping, by increasing the volume, to obtain an adequate livelihood.'

There had been repeated pressure on the Council to promulgate some scale of fees or general charges for the generality of work, stated the President, but its apparent simplicity had been found to conceal an immense complexity of problems, and it had been felt it would do more harm than good.

He believed that closer personal relationships between members, with a feeling of friendship and loyalty to one another, could be one way of helping practitioners to 'stand up to

their clients' by insisting on being properly paid for a job properly done.

Criticism

Mr Parker went on to say that many accountants in the U.S.A. and Canada were 'having a rough time', and there were signs that a number of accountants in Britain were going to have similar difficulties, too, before long.

'We have to take these criticisms seriously. In some respects our house is not in order, but I also believe quite firmly they stem from misuse of the information to which we put our names. We cannot expect that financial statements produced for one purpose will necessarily serve equally well for a number of quite different purposes'.

The toast of 'Our Guests' was proposed by Mr F. Dean, F.C.A., President of the Leeds, Bradford and District Society, and was responded to by the Lord Mayor of Leeds, Colonel Lawrence Turnbull, M.C., T.D., J.P., D.L., and Mr K. D. Robinson, M.A., Headmaster of Bradford Grammar School.

The Institute of Chartered Accountants in Ireland

Southern Regional Conference

OVER one hundred members of The Institute of Chartered Accountants in Ireland assembled at the Great Southern Hotel, Killarney, for the Institute's recent bi-annual three-day Southern Regional Conference.

Among those present were Mr N. V. Hogan, B.A., B.COMM., F.C.A., President of the Irish Institute; Mr W. E. Parker, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales; Mr Ian Morrison, managing director, Bank of Ireland Group; Mr Donal McAleese, B.A., B.COMM., A.C.A., general manager, Irish Life Assurance Co Ltd; Mr Brian Whelan, B.COMM., A.C.A., deputy director, Irish Management Institute; Mr G. P. Dempsey, A.C.A., assistant general manager (Administration), Aer Lingus, and Mr Brian Doyle, A.C.A., chief accountant, An Bord Bainne.

During the week-end many aspects

of the accounting profession were discussed and two papers were presented; 'Balance sheets – true or false?', by Richard Cox-Johnson, director of Leopold Joseph & Son Ltd, merchant bankers, of London, and 'Management audit', by Mr David Griffiths, of McKinsey & Co Inc, management consultants, of New York and London.

In his paper Mr Richard Cox-Johnson considered balance sheets from the point of view of the purchase of a company, methods of introducing new working capital and preparation for public flotation. He emphasized the ways in which the conventional balance sheet items themselves could be misleading. He made special reference to the ways in which the accountant could be misled by the directors' valuation of stocks and work in progress and the precautions to be taken to avoid these difficulties.

Mr David Griffiths, in his paper, discussed the implications of the management audit which, he said, went much further than the conventional financial audit in that it sought to answer two separate but interdependent questions (1) What is the economic viability of the business being engaged in? (2) How effectively is the enterprise managed and operated?

He referred to four major facets of management – namely organization, philosophy, information and delegation – and felt that although the basic conditions relating to these four areas were taken for granted by well managed American businesses, they were not yet fully accepted or carried out on this side of the Atlantic.

The closing session was presided over by Mr N. V. Hogan, President of the Institute, who complimented the speakers on the high standard of the papers.

The Chartered Accountant Students' Society of London

Annual General Meeting

THE eighty-fourth annual general meeting of The Chartered Accountant Students' Society was held at Winchester House, London EC2, on October 9th. Mr Christopher Burr, A.C.A., Chairman of the Committee, presided in the absence through indisposition of Mr E. F. G. Whinney, M.A., F.C.A., President of the Society.

In the course of his opening remarks, Mr Burr said:

'We are very sorry Mr Whinney cannot be with us this evening. As you may know, he has retired from his firm and he also thinks it fit for him to retire as President of the Students' Society.'

'Having said this and regrettable as it may be - for we are all, I think, very fond of Mr Whinney - he has asked

me to propose on his behalf the election of Mr G. R. Appleyard, F.C.A., as President of the Society for 1967-68.'

Mr Burr went on:

'Mr Appleyard is a very active man. He was elected to the Council of the Institute in 1963 and is Chairman of the Moorgate Place Re-development Committee and also a member of the Public Relations Committee. He has written a book for the Institute on insurance and is also on the Court of the Worshipful Company of Innholders, being twice a Past Master. So far as politics are concerned, he is honorary treasurer of the Reigate Division of the Conservative Party and has been for many years. He is also the local district representative for the

Surrey County Playing Fields Association.

'It gives me great pleasure on behalf of Mr Whinney to propose Mr Appleyard as our new President.'

Mr A. J. Cartmell seconded the motion which was carried unanimously.

Mr Appleyard then took the chair and addressed the meeting: 'Ladies and gentlemen, thank you very much for the honour that you have just done me by electing me President. I admit at this moment of time to feeling very proud of this honour, but at the same time I also feel very humble and somewhat frightened at the prospects of the job in hand and certainly what lies ahead. However, I am prepared to have a go, but I shall need a



On the platform at the annual meeting were, left to right, Mr A. J. Cartmell, a member of the Committee; Mr E. Kenneth Wright, M.A., F.C.A., a member of the Council of the Institute; Mr W. K. Wells, B.A., F.C.A., Honorary Treasurer; Mr Christopher Burr, A.C.A., Chairman of the Committee; Mr G. R. Appleyard, F.C.A., a member of the Council of the Institute and the newly-elected President of the Society; Mr Derek du Pré, Secretary of the Society; Mr J. A. Jackson, F.C.A., a member of the Council of the Institute and a Vice-President of the Society, and Mr Douglas A. Clarke, LL.B., F.C.A., a member of the Council of the Institute.

lot of support and encouragement from all of you.

'Over the years, all my predecessors have been men who have distinguished themselves in our great profession, and many of them, as you well know, also in public life. I am therefore particularly sorry that Mr Ernest Whinney is prevented from being here tonight through ill-health. I have worked with Ernest Whinney for a very long time on the London and District Society Committee and latterly on committees of the Institute. Ernest Whinney is a man who is extremely good company and whenever he spoke he was always worth listening to. The profession and this Society in particular owe a great deal to Ernest Whinney, and in fact, to his family, because I believe it was his father who was President of the Institute in 1883. He himself gave very generously of his time and experience and I would hazard a guess that a good number of young people will go out into this world better equipped as a result of the contact they have had with Ernest Whinney.

'May I suggest, therefore, that we write him a letter in which I am sure it would be the desire of all of you that we should wish him a speedy recovery to good health. (*Hear, Hear*).

'I am sure we are all delighted to know that under Rule 3 he now becomes a Vice-President, so he is not lost and gone for ever.' (*Applause*).

Annual Report and Accounts

Mr Burr then moved the adoption of the annual report and accounts, observing that he hoped the new pictorial style and modern format would meet with approval.

Mr W. K. Wells, B.A., F.C.A., Hon. Treasurer, seconding the motion, said:

'I would like to speak briefly, if I may, on the accounts themselves. You will, in fact, have received two sets of accounts, an early model and a later one. The later model has not got the performance of the earlier one - at least, measured by the amount of the deficit - but at least it has the advantage of having been streamlined and shorn of its excrescences. I hope you will have read the statement which accompanied the later model. That statement itself is purely factual and I would now like to say a few words merely in amplification of that statement.

'We received no information from the auditors that the report on the



Mr G. R. Appleyard, F.C.A., the newly-elected President of the Society (*right*) with Mr Christopher Burr, A.C.A., Chairman of the Committee, and Mr W. K. Wells, B.A., F.C.A., Honorary Treasurer.

accounts was to be qualified until three days before the date fixed for the printing of the accounts, which had been run off by that time in galley form. On receipt of this advice we were naturally disturbed and inquired why qualification should be necessary. Neither the Secretary nor the Chairman of the Committee nor myself as Treasurer had been informed or consulted beforehand or informed that there were any difficulties which might lead to a qualification.

'We then took the view, after discussion with one of the joint auditors, that if a qualification was justified we must accept this with good grace and publish the accounts. After all, it is the function of an auditor to do this very thing; if he considers it essential in the interest of members to make any statement in qualification, he is surely entitled to do so - that is the auditor's function. At this point of time the alternatives which we faced were either to circulate the report without the accounts, bearing in mind that the date of this meeting had already been fixed, or postpone the meeting, and we were reluctant to adopt either one of these courses. A meeting was then held with the representatives of the auditors to inquire why it had been necessary to qualify the report on the accounts. We were at that stage informed why and I think, quoting from memory, the reason was that they had not found it possible to reconcile the subscription income with the subscription records and the gap was approximately £1,300 - £1,300 being too much and not too little, but that,

of course, is immaterial from an auditor's point of view.

'We had a discussion then as to what should be done by the auditors; it was suggested that they should prepare a report for this meeting and that report should, first of all, be submitted to the Committee of the Society, or a sub-committee of it, so it could be agreed by both parties, and it was agreed that that should be done. After that meeting we considered that it was in the interest of the Society and the Committee of the Society to have this section of the accounts investigated by an independent firm with the object of ascertaining why it was not possible for the auditors to reconcile these two things, and this was done.

'You will remember that the auditors said that they could not satisfy themselves that the subscription income brought to account was capable - and I stress the word "capable" - of reconciliation with the membership records. As has already been reported to you in the statement which accompanied the second set of accounts, reconciliation was achieved - within £70 odd - and perhaps if more time had been spent this might well have been reconciled to the £. However, this was regarded as satisfactory, the matter was reported to the auditors and was discussed, and the auditors agreed that they would withdraw their qualification. It was then a question of what the Committee should do. Should they send out a covering letter to all members explaining this in as many words, or should the Committee send out - at additional expense - a

corrected set of accounts? The view of the Committee and all the officers was – and I am sure you will agree this was not only the correct and proper procedure, but the only procedure to adopt, as you would do, I hope, if it happened in the case of a company, public or otherwise – that they should correct the accounts, reprint them and send them to you with the statement which, in fact, you have received.

'I do not propose to say any more than that. These are the facts; it is up to you to form your own opinion.

'With regard to the accounts themselves, there is really very little I can say, except that, as you will have noticed, they have been produced in a different format, in a very compact format, in order (a) to save expense, and (b) to save wearying you with

interminable details and schedules. You will notice that the charge for administration is greater than last year. This is basically by reason of the fact that last year £1,757 was credited to this account as the surplus on introductory courses which have now been discontinued, and the balance represents additional general charges which were formerly included under the heading of "Publicity".

'The only other point I would like to make on the accounts is that the deficit of £4,413, when taken in conjunction with the deficit for 1965-66 of £3,712, is covered, as it was intended to be covered, by the special subscription amounting to £8,477 appearing in the accumulated fund.'

After discussion, the adoption of the annual report and accounts was carried by a substantial majority.

New Officers

Officers of the Society elected for the coming year are as follows:

President: Mr G. R. Appleyard, F.C.A.

Vice-Presidents: Sir Harold Gillett, Bt, M.A., F.C.A., Mr F. J. B. Gardner, M.C., F.C.A., and Mr J. A. Jackson, F.C.A.

Hon. Treasurer: Mr W. K. Wells, B.A., F.C.A.

Hon. Auditors: Mr H. O. H. Coulson, F.C.A., and Mr R. G. Leach, C.B.E., F.C.A.

Mr P. S. McDonald, B.A., was elected a member of the Committee and the following six members were re-elected to the Committee: Mr J. G. A. Cripps, A.C.A., Mr P. M. Duffell, A.C.A., A.T.I.I., Mr R. A. Lee, Mr A. H. K. Littlemore, Mr D. Barry Nottage, B.Sc., and Mr P. D. Wild.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BLAND, CARRYER & McALPIN and NEWILL & Co, Chartered Accountants, of Leicester, announce that Mr JOHN RUSSELL ALLEN, F.C.A., has been admitted as a partner with effect from October 1st, 1967.

MESSRS BROWN, PEET & TILLY, Chartered Accountants, of 62 London Wall, EC2, deeply regret to announce the death of Mr ALBERT EDWARD ROBERTS, F.C.A., on October 9th, 1967.

MESSRS COOPER & COOPER, Chart-

ered Accountants, announce with deep regret the death on October 5th, 1967, of their partner, Mr STANLEY J. BAKER, F.C.A. The practice will be continued by the remaining partners.

MESSRS J. B. GARSIDE & SON, Chartered Accountants, announce that their address is now 3 Hill Street, Douglas, I.O.M. Telephones 3221 and 3222.

THE HALLETT DOUGLASS INTERNATIONAL GROUP has been formed by the following firms: HALLETT, WARLOW & Co, Chartered Accountants, of 38 Finsbury Square, London EC2, Bristol and Coventry; F.-M. RICHARD, of Paris; DE HAAN, STOL & Co, of Amsterdam, Rotterdam, Utrecht, The Hague and Arnhem; DOUGLASS, HART & LANDY, of Sydney, Brisbane and Melbourne; J. F. BUDDLE & Co, of Auckland, New Zealand; THOMAS G. BURKE & Co, of New York; ALBERT T. BACON & Co, of Chicago; MOSS, ADAMS & Co, of Seattle, Portland, San Francisco and Los Angeles; W. S. WONG & Co, of Hong Kong and Taiwan; EMILE GUBLER, of Geneva; Professor Dr ERNST KNORR and Dip.-

KFM RICHARD WEBER, of Cologne; A. BRATHOLM-C. HENNINGS, of Copenhagen; GUSTAAF SLABBAERT, of Antwerp; PIERRE ZECRI, of Algiers; and HAMADA, YAMAGUCHI, WATANABE and OHIWA, of Tokyo.

MESSRS P. G. LAMBIRTH & Co, Chartered Accountants, formerly of 29B Fife Road, Kingston upon Thames, and Messrs D. A. PALMER & Co, Chartered Accountants, of 88 Richmond Road, Kingston upon Thames, announce that they are now carrying on their practices in association with each other at 88 Richmond Road, Kingston upon Thames.

MESSRS LITHGOW, NELSON & Co, Chartered Accountants, of London, Liverpool and Southport, and Messrs HOLMES & TURNER, Chartered Accountants, of Wigan, announce that they have agreed to merge their practices as from October 1st, 1967. The combined practices will be continued at the present addresses under the name of LITHGOW, NELSON & Co.

MESSRS PRICE WATERHOUSE & Co announce the retirement of Mr L. H. NORMAN, F.C.A., and Mr A. L.

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BARNETT, F.C.A., on September 30th, 1967. Mr A. L. BARNETT also retires from the associated firms of HUDSON SMITH BRIGGS & Co and HENRY ANSTEY, GROVER & Co.

MESSRS PRICE WATERHOUSE & Co announce the admission to partnership in certain of their firms of the following members of their staff who will be resident at the offices shown after their names; Mr E. W. BARNES, F.C.A. (London), Mr E. J. W. BRIDGES, F.C.A. (London), Mr E. S. HOULT, M.A., F.C.A. (Newcastle) and Mr A. C. S. HORDERN, A.C.A. (Birmingham). Mr T. M. RAWCLIFFE, B.A.(COM.), F.C.A., of Newcastle, will now be resident in London.

MESSRS SIMPSON, WOOD & Co, Chartered Accountants, of Huddersfield, announce that they have admitted to partnership Mr A. E. BROWN, A.C.A., A.T.I.I., who has been a senior member of their staff since 1962.

MESSRS WELLINGS & Co, Accountants and Auditors, of 81 Warwick Road, Olton, Solihull, announce that Mr W. L. P. STIRLING, F.C.A., has acquired the practice with effect from October 2nd, 1967. Mr T. F. WELLINGS and Mr A. W. ASHTON have both retired from the firm, but Mr T. F. WELLINGS will continue to be available to the firm in a consultative capacity. The practice will be continued under the name of WELLINGS, STIRLING & Co.

MESSRS WEST, WAKE, PRICE & Co, Chartered Accountants, of 6 Broad Street Place, London EC2, announce that they have taken into partnership Mr A. H. SLATER, B.A., A.C.A.

Appointments

Mr E. G. A. Dellar, F.A.C.C.A., has been appointed finance director of British Road Services Ltd.

Mr G. L. Gilks, F.C.A., has joined the board of Quinton Hazell (Holdings) Ltd.

Mr B. A. Hellings, A.C.A., has been appointed a director of P. B. Cow & Co Ltd. He will be succeeded as secretary of the company by Mr A. G. L. Alexander, A.C.A.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS Members' Dinner

Some 200 members and guests attended the annual members' dinner of The Institute of Cost and Works Accountants held at Fishmongers' Hall, London, on October 11th. The President of the Institute, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., received the distinguished company, among whom were the following:

Mr D. S. Anderson, President, The Institute of Chartered Accountants of Scotland; Sir Herbert Andrew, Permanent Under-Secretary, Department of Education and Science; Mr W. F. Archer, President, The Chartered Institute of Secretaries; Sir Humphrey Browne, Chairman, John Thompson Ltd; Sir Fife Clark, Director-General, Central Office of Information; Sir Richard Clarke, Permanent Secretary, Ministry of Technology; Sir Rex Cohen, Chairman, Higgs & Hill Ltd; Messrs A. P. Costain, M.P.; D. Ducat, Chairman of Council, British Institute of Management; C. A. Evan-Jones, Secretary, The Institute of Chartered

Accountants in England and Wales; The Right Hon. Lord Fiske, Chairman, U.K. Decimal Currency Board; Lord Hayter, Chairman, Chubb & Sons; Sir James Helmore, Chairman, United Glass Co; Sir John Hunter, Chairman, Central Training Council; Sir Arthur Kirby, Chairman, National Ports Council; Mr J. P. Landau, President, The Association of Certified and Corporate Accountants; The Hon. Mr Justice Lloyd-Jacob, a Judge of the Supreme Court; Mr W. E. Parker, President, The Institute of Chartered Accountants in England and Wales; Sir Thomas Robson, Chairman, Renold Ltd; Messrs M. F. Stonefrost, Secretary, and J. B. Woodham, President of The Institute of Municipal Treasurers and Accountants.

The Hon. Mr Justice Lloyd-Jacob proposed the toast of the Institute and the President responded.

The toast of the guests was proposed by Mr R. A. Glendinning, M.A., C.A., F.C.W.A., Vice-President of the Institute, and Lord Fiske replied.



Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., President of the Institute (left), receiving Lord Fiske, Chairman of the United Kingdom Decimal Currency Board.

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Mr Robert Cairns, F.C.A., senior partner of F. W. Clarke & Co, Chartered Accountants, of Leicester, has just completed fifty years of service with his firm. To mark the occasion, he entertained his colleagues and staff and their ladies at a cocktail party and buffet at a Leicester hotel. Mr Cairns qualified as a member of the former Society of Incorporated Accountants in 1923.

**TAX AND THE
PUBLIC COMPANY**
Conference at Brighton

A conference on 'Tax and the public company' is to be held at Brighton from November 23rd to 25th, organized by the London and District Society of Chartered Accountants. Attendance at the conference is open to any member of the three Institutes of Chartered Accountants and invitations have also been extended to members of The Association of Certified and Corporate Accountants and The Institute of Cost and Works Accountants.

The conference, which will be under the chairmanship of Mr D. R. Gray, F.C.A., is intended to give special attention to the taxation problems of the public company and the following papers will be presented: 'Overseas subsidiaries and trade investments', by Mr E. B. Nortcliffe, Unilever Ltd; 'Finance Bills and Parliamentary procedure', by Mrs M. Thatcher, M.P.; 'Changes in group structure', by Mr T. A. Tansley, F.C.A.; 'Group reliefs', by Mr D. S. Morpeth, T.D., B.COM., F.C.A.; and 'Chargeable gains from land and buildings', by Mr Philip Lawton, Solicitor.

Members of the accountancy bodies mentioned who would like to attend and have not yet completed their application form, are invited to contact the Assistant Secretary, London and District Society of Chartered Accountants, 2 Norfolk Street, London WC2.

**SHEFFIELD AND DISTRICT SOCIETY
OF CHARTERED ACCOUNTANTS**

The next meeting of the Sheffield and District Society of Chartered Accountants, which is to be held on October 26th at 6 p.m., at the Grosvenor House Hotel, Sheffield, will take the form of a discussion on 'Analysis machines used in the preparation of accounts from incomplete records'. The discussion will be led by Mr J. A. Brier, F.C.A., Mr L. Goude, F.A.C.C.A., and Mr I. E. D. Rees, A.C.A. Other meetings arranged by the Society up to the year-end are:

November 14th, 12.30 for 1 p.m.: Luncheon meeting at the Crown Hotel, Rotherham.

November 22nd, 9.30 a.m.: Computer seminar at Hallam Tower Hotel, Sheffield.

November 24th, 7.30 for 8 p.m.: Dinner dance at Kenwood Hall, Sheffield.

November 30th, 6 p.m.: Discussion meeting: 'Data processing bureaux - can they help me?'

**SOUTHERN SOCIETY'S
RESIDENTIAL CONFERENCE**

Approximately one hundred members of the Southern Society of Chartered Accountants attended the Society's fourth residential conference held at Chamberlain Hall, University of Southampton, from September 29th to October 1st. Lectures were given on 'Some aspects of back duty', by Mr P. A. Smith, F.C.A.; 'The Companies Act 1967', by Mr D. McComb, B.SC.(ECON.), F.A.C.C.A.; 'Accounting services to agriculture', by Mr S. V. P. Cornwell, M.C., F.C.A., and 'Auditing problems of a small business', by Mr C. C. Taylor, F.C.A. The last day of the conference was devoted to an auditing case study with the discussion groups reporting their solutions in the afternoon.

Mr R. McNeil, F.C.A., a Past-President of the Institute and Professor A. N. Black on behalf of the University Vice-Chancellor, attended a formal course dinner which was presided over by the President of

the Society, Mr D. J. Gulliford, F.C.A.

The Society's fifth residential conference will be held in April of next year, also at Chamberlain Hall.

**DUBLIN SOCIETY OF
CHARTERED ACCOUNTANTS**

The first luncheon meeting in the 1967-68 programme of the Dublin Society of Chartered Accountants will be held on Wednesday next when the guest speaker will be Mr Sean Lemass, T.D. Other meetings arranged up to the year-end, to be held at the Royal Hibernian Hotel, are:

November 22nd, 6 p.m.: Address by the President of the Irish Institute, Mr N. V. Hogan, B.A., B.COMM., F.C.A.

November 30th, 7.30 p.m.: 'The Joint Diploma in Management Accounting Services', by Mr I. G. S. Groundwater, Secretary of the Joint Diploma Board, and Mr John Love, A.C.A.

December 11th, 6 p.m.: Address by Mr Brian Faulkner, M.P., Minister of Commerce, Northern Ireland.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON**
Next Week's Meetings

WEDNESDAY, OCTOBER 25th, 6 p.m.
Opening session of speakers' course on 'How to prepare what you want to say': The Society's Common Room, 43 London Wall, EC2. All inquiries should be sent to Miss Ann Dent, c/o The Library.

FRIDAY, OCTOBER 27th, 11 a.m.
Meeting of the National Executive Committee of the Union of Chartered Accountant Students' Societies: The Society's Common Room, 43 London Wall, EC2.

CORRECTION

In the leaflet supplied by Industrial Education International Ltd and included as a supplement to last week's issue, the reference to Session 7 of the Capital Gains Tax and Estate Planning Conference to be held next month should have read: 'Estate planning in relation to family companies', not expenses.

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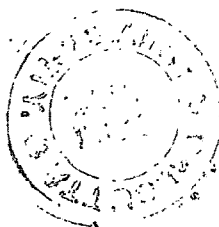
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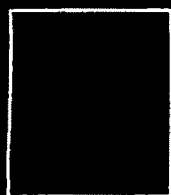
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VOL. CLVII. No. 4845

OCTOBER 28th, 1967

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Your courses diary 1967-1968

One of a series of advertisements designed to remind members and non-members of the extensive facilities available.

INSTRUCTIONAL COURSES organised by the Institute are open to all members, and non-members when sponsored by a chartered accountant. The following list indicates residential courses for 1967-1968. A series of shorter non-residential courses are now being planned. Full details and application forms are sent, prior to the courses, to all members of

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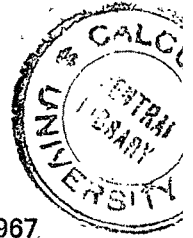
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No.	Subject		Dates of Series	Duration of each Course	Planned Size	Location
			1967			
10	Management Information		25-30 November	4 days	3×50	Hotel Metropole, Brighton
			1968			
1	Systems Analysis	Between	4 & 11 January	4 days	3×50	Hotel Metropole, Brighton
2	Tax	Between	18 & 25 February	3 days	4×50	Hotel Metropole, Brighton
3	E.D.P.	Between	23 & 30 March	5 days	3×50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1×70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3×50	Hotel Metropole, Brighton
• 6	Summer Course		11-16 July	5 days	1×200	Christ Church, Oxford
• 7	Summer Course		18-22 September	4 days	1×200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on - see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3×50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4×50	Hotel Metropole, Brighton

• For members only.

THE ACCOUNTANT

Established 1874



Vol. CLVII. No. 4845

October 28th, 1967.

The Recognized Weekly Journal for the Accountancy Profession throughout the World

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Advancement & Retirement

IN the two years 1965 and 1966, The Institute of Chartered Accountants in England and Wales published a series of ten booklets on various aspects of practice administration. By the end of last year, 5,000 complete sets had been sold together with 8,000 individual booklets.

In announcing these splendid figures in its 1966 report, the Council indicated that three further volumes were in course of preparation. Two of these have now appeared¹ and one of them is *Professional Goodwill and Partnership Annuities*, by Mr E. KENNETH WRIGHT, M.A., F.C.A. In 1955, Mr WRIGHT wrote a paper on goodwill for the Institute summer course at Oxford. At that time it was not possible for a self-employed practitioner to provide for his retirement out of untaxed income but, as a result of the recommendations of the second Tucker Committee being incorporated in the 1956 Finance Act, many practitioners, as Mr WRIGHT points out, have by now paid ten premiums out of their gross incomes to secure retirement benefits. Another help in this good and just cause was the improvement in 1961 of earned income allowance levels and the extension of the allowance to surtax.

Mr WRIGHT considers the various mutually suitable arrangements whereby incoming partners may join and outgoing partners may leave a professional firm without financial embarrassment. To help him in his survey, he sent out a questionnaire and his observations were based on the replies he received from fifty firms of varying sizes and locations.

In valuing goodwill, the familiar factors are supply and demand. Demand, as far as the potential partner is concerned, is clearly influenced by such questions as the counter attractions offered by other ways of making a living; the incidence of taxation; and the necessity or otherwise to provide or contribute to finance for working capital. Mr WRIGHT reckons that while accountants in practice at the higher levels still do very well, the demand for partnerships has fallen off during the last ten years but not enough to create a buyer's market. There are many reasons other than financial for a clever young accountant wishing to obtain a partnership in a professional firm of repute and as long as the profession continues to uphold its present high position in the world of affairs, the balance between supply and demand should remain healthily poised.

¹ Obtainable from the offices of the Institute, 56-66 Goswell Road, London EC1. Price 7s 6d each.

The main part of Mr WRIGHT's treatise is devoted to methods of dealing with goodwill once its existence and *quantum* have been established. He groups these into two main categories – the capital basis and the annuity basis. The capital basis calculates goodwill at a given number of years' purchase of gross fees or profits. The annuity basis embraces forms of annuity, premiums, retiring allowances and the convention known as consultancy fees. It should be noted that the first of these two categories is purely capital transaction whereas the annuities and fees in the second category are charges on the income of the purchaser or payable out of his profits, and income of the vendor. It would seem from researches made by Mr WRIGHT among advertisements in this and other journals that over the years the annuity basis is tending, albeit slowly, to become the more favoured medium.

The second booklet in the extension to the series is *The Sole Practitioner* and was written anonymously, again with the help of replies received to a selectively circularized questionnaire. It deals with the six main problems of the individualist who prefers to 'go it

alone' – the impact on his practice of mergers and take-overs among his clients; the ability to command economic fees; the need constantly to increase his own specialized knowledge; rising costs; the desirability of providing for retirement and succession; and, as preoccupying as any, the fear of illness or premature death. Some of these problems are known also to practitioners in partnership but, to the sole practitioner, they are or appear to be accentuated, partly because of his isolated position and partly because he operates (and the answers to the questionnaire confirmed this) on a smaller scale.

It would not be true to say that the booklet resolves all these dilemmas. Some of them vary in degree when applied to particular cases and to others there is just no finite answer. The value of the writer's thoughtful observations lies in the fact that he has made it clear that the sole practitioner is not likely to attain lasting peace of mind by brooding over his difficulties alone and that contact with fellow members, through Institute and district society functions, provides a means of helping him to become integrated without losing the advantages of his cherished independence.

Britain's Invisible Earnings

LAST week's report on 'Britain's Invisible Earnings' published under the auspices of the British National Export Council, is a remarkable piece of research into a field of economics which has been probed on a number of occasions but never before plumbed. It emphasizes the importance of invisible earnings to Britain's economy and shows that for well over one hundred and seventy-five years Britain has had an almost continuous deficit on visible trade but invisible earnings have nearly always turned this deficit into a surplus.

It may not be without significance that of the seven years in which there was a surplus on visible trade, two were in the last decade – 1956 and 1958. Gross invisible earnings have grown faster than visible exports (and re-exports) over the past decade. Invisible earnings grew by 54 per cent between 1956 and 1965 whilst visible exports increased by 41 per cent.

In order to complete its task the committee of

inquiry under the chairmanship of Sir THOMAS BLAND, Deputy Chairman of Barclays Bank, found it necessary to collect completely new statistics. Regular statistics of earnings from shipping, civil aviation, banking, insurance and such services are produced by the Central Statistical Office. Previous estimates of the earnings from miscellaneous services have, however been very much of a general nature. The committee made a detailed study of these earnings, usually by questionnaire and interview. They obtained information on the overseas earnings of firms of accountants, solicitors and surveyors, as well as antique dealers, advertising agencies and management consultants.

The earnings of accountants contributing directly to invisibles are shown as over £1 million a year, but we understand that as a number of international firms did not complete the questionnaire sent out by the accountancy bodies on behalf of the committee, the figure is, in fact, a conservative one. The questionnaire sent to members by The Institute of Chartered Accountants in England and Wales drew by far the largest response and elicited some three thousand seven hundred replies out of a possible total of upwards of five thousand five hundred. Indeed the greatest value of the inquiry is the estimates it provides of invisible receipts such as these which have not previously been

identified, and it is particularly pleasing that the accountancy profession has such a prominent place in the new estimates.

Another valuable feature of the report is the table showing invisible receipts and payments for over thirty countries for the years 1952, 1958 and 1964. In the latter year, Britain's earnings on invisible account were 15 per cent of world earnings. Only the United States, with 25 per cent, did better than Britain. On a *per capita* basis, Britain was easily at the head of the table. Italy, Germany and France, earned much the same as one another in 1964, but less than half that earned by Britain. The invisible earnings in the private, i.e. non-Government sector, have always shown a steady profit after deducting the corresponding services bought by Britain. It is this profit which enabled Britain to show a consistent trade surplus. However, since the early 1950s the amount spent overseas by the Government on defence and other commitments has grown steadily. In 1952-54 it averaged only £86 million a year, but by 1965 it had grown to £446 million thereby offsetting exactly the

interest earned by Britain on overseas private investment.

The committee has made the first detailed authoritative estimate of the City of London's foreign earnings – the figure obtained for 1965 was between £205 million and £225 million, of which insurance contributed £56 million, merchanting £40 million, banking £82½ million and brokerage £35 million. Government estimate for 1956 produced a total of £125 million.

The committee makes about forty recommendations. These include the following: (1) The Bank of England and the Central Statistical Office should collect regular statistics of invisible earnings on the lines of those collected for the first time by the committee. (2) A permanent organization should be set up to promote invisible exports. (3) The Government should increase its help to the hotel business and encourage further earnings from tourism. (4) Consideration should be given to extending export rebates to cover invisible earnings; selective employment tax should be mitigated, and such earnings should rank for the Queen's Award.

COMPANIES ACT 1967

Unlimited Companies – I

THE Companies Act 1948 contains many provisions relating to unlimited companies and by section 16 of the Act permits a company registered as unlimited to register under the Act as limited, but nowhere does it provide for the re-registration of a limited company as unlimited. That such a provision is now necessary follows from the abolition of the exempt private company on January 27th, 1968.

In the House of Commons on May 19th, 1966, the PRESIDENT OF THE BOARD OF TRADE said that 'incorporation with limited liability is a privilege which carries obligations to the public' and that the Government intended to provide in the Companies Bill (now the Companies Act 1967) that all limited companies should file their accounts with the registrar of companies and thus make them available for public inspection. 'It would', he said, 'be open to companies who value privacy above limited liability to re-register as unlimited or to wind up and carry on as partnerships'.

This intention is given full effect in the 1967 Act. Section 43 provides that limited companies may be re-registered as unlimited. Section 44 provides that unlimited companies may be re-registered as limited, while section 45 states that no company shall register or re-register in pursuance of section 16 (1) of the 1948 Act after the time at which section 45 of the 1967 Act comes into operation except upon an application made before that time.

By section 57 (1) (a) of the 1967 Act, sections 43 to 45, inclusive, come into operation at the expiration of the period of three months beginning with the day on which the Act is passed, that is to say, on October 27th, 1967. But forms may be prescribed under sections 43 and 44 at any time after the passing of the Act, except that any instrument by which they are prescribed will not come into operation before the sections themselves take effect. Section 47 of the 1967 Act exempts unlimited companies, in certain cases (which will be referred to later), from the requirements of section 127 of the 1948 Act to annex the company's accounts to the annual return. This section came into force with the passing of the Act on July 27th, 1967.

Before the 1967 Act an unlimited company enjoyed – and still does – the important advantage that it may accept the surrender of a member's shares on payment or otherwise if authorized by the memorandum and/or articles of association, whereas it is not possible to

obtain a return of capital, other than redeemable capital, from a limited company except by applying to the Court for confirmation of a reduction of capital or by putting the company into liquidation. The authority for the return of capital is to be found in regulation 3 (e) of the articles of association of an unlimited company in Table E in Schedule I to the 1948 Act and in the case of *In re Borough Commercial and Building Society* ([1893], 2 Ch. 242) where VAUGHAN WILLIAMS, J., said:

'there is nothing to prevent a company unlimited from providing by its memorandum of association and its articles for a return of capital to the members of the partnership or for a withdrawal of members from the company'.

Later in his judgment his lordship said there was nothing in the words or in the spirit of the Companies Acts 1862 and 1867 which prevented an unlimited company being associated on the basis that the members might withdraw in the mode which was provided by the particular memorandum or articles. The mention of memorandum and articles on the one hand, and of memorandum or articles on the other, together with later references in the judgment to memorandum and articles has created doubt as to whether it is sufficient for the power to return capital to be contained in the articles only. Therefore, in practice, it is safer for both memorandum and articles to confer the necessary power.

An unlimited company may also be of use in effecting a saving of estate duty by enabling shares in the company to be surrendered in exchange for agricultural land which qualifies for relief from estate duty under section 28 (1) of the Finance Act 1949. In *In re the Duke of Devonshire's Settlement* ([1952], 31 A.T.C. 399) a scheme on these lines failed, but only because the duke died suddenly before the transaction was validly completed. Nevertheless, the advantages in a suitable case of being able to surrender shares in an unlimited company in exchange for agricultural land still remain and make unlimited companies suitable media for holding land where there is no risk in holding the shares of the company. Again, the formation of an unlimited company by the owner of land or of investments also facilitates the division of the income or of the property itself among the owner's family.

Unlimited companies are also used by some professional firms to provide management services, since professional bodies generally do not approve of their members taking shelter behind limited liability in respect of obligations which are essentially those of the members themselves or of their firm.

The 1948 Act defines an unlimited company by section 1 (2) (c) as 'a company not having any limit on the liability of its members'. But although the liability

of members of an unlimited company, like that of partners in a partnership, is unlimited, the position of the members differs fundamentally from that of partners. The unlimited company is a legal person, but the partnership in England and Wales, unlike Scotland, has no separate existence. Partners are directly liable to the creditors of the partnership, but members of an unlimited company are not liable to the company's creditors who, if they sued the members for a debt incurred by the company would be unsuccessful. If the creditors of the unlimited company cannot obtain payment from the company they may petition the Court for a winding-up order. The liquidator will then ask the members to contribute to the payment of the debts of the company and the costs of winding up, and the members will be liable to do so without limitation of their liability.

It is important to remember, however, that a contract made by an unlimited company may contain a provision whereby the liability of individual members under the contract is restricted, or the funds of the company are alone made liable in respect of the contract. A defence arising from such a contractual term may validly be taken against a creditor by virtue of section 212 (1) (f) of the 1948 Act, which relates to the liability as contributories of present and past members of a company.

Before considering the changes affecting unlimited companies made by the 1967 Act, it may be helpful to consider the provisions of the 1948 Act relating to the formation of such companies. Section 11 (d) of the Act provides that the memorandum and articles of association of an unlimited company must be in the form of Table E in Schedule I to the Act or as near to it as circumstances permit. An unlimited company may have a capital divided into shares or no such capital, in which event all the members will be equal partners in the company. Section 2 (4) (a) provides that in the case of a company having a share capital the memorandum must, *unless the company is an unlimited company*, state the amount of share capital with which the company proposes to be registered and the division of the share capital into shares of a fixed amount. In practice no capital clauses are shown in the memorandum and none are included in Table E. But the memorandum must, in the usual way, be subscribed by seven persons in the case of a public company and by two persons in the case of a private company.

Although such a provision is not contained or referred to in Schedule E, the objects clause in the memorandum should, as already indicated, empower the company, where there is a share capital, to accept surrenders of shares by members. Section 6 of the 1948 Act provides that articles of association *may* in the case of a company limited by shares, and *shall* in the case of

a company limited by guarantee or an unlimited company, be registered along with the memorandum of association.

Section 7 (1) provides that in the case of an unlimited company the articles must state the number of members with which the company proposes to be registered and, if the company has a share capital, the amount of share capital with which the company intends to be registered. This was because, under Schedule 12 to the Act (which is repealed as from October 27th, 1967), the fees payable on incorporation are calculated, in the case of a company not having a share capital, on the number of members, and in the case of an unlimited

company having a share capital, by reference to the amount which would be charged for registration if the company were limited by shares or the amount which would be charged if the company had no share capital, whichever is the higher. Section 7 (3) provides that where an unlimited company has increased the number of its members beyond the registered number it must, within fifteen days after the increase was resolved on or took place, give to the registrar of companies notice of the increase. Schedule 12 to the 1948 Act is replaced by Schedule 3 to the 1967 Act. This Schedule, so far as it affects unlimited companies, will be dealt with in the next article. *(To be continued.)*

Current Affairs

Industrial Trends Survey

TAKING the temperature of the United Kingdom economy has become a major activity, although the reliability of the readings is open to doubt judging by the contrasting conclusions which may be drawn from the available statistics. The two latest assessments to appear, the Confederation of British Industry's industrial trends survey and the Board of Trade's survey of industry's investment intentions, do not paint too contrasting a picture, one with the other, although there are differences both in coverage and emphasis in the surveys and the conclusions drawn.

The C.B.I. survey, which collected the views of a sample of its members in late September – early October, reports that 'businessmen's expectations have been disappointed in a number of fields' since the June survey. Then it was hoped that the value of new orders would increase, just as would output. Neither hope seems to have been fulfilled and, notes the survey, more firms have reduced the number of their employees than were expected to do so in June. Average selling prices have not shown the modest increase then forecast. However, the latest findings suggest that the 'turning point has been reached'. Firms more optimistic about the situation in their

industry now outweigh those less optimistic 'by a small margin'. New orders are expected to increase by 17 per cent and output by 25 per cent.

According to the C.B.I. survey, 'firms are now evenly divided between those who expect to authorize more investment on plant and machinery in the coming year than last and those who expect to authorize either the same or less than last year'. Shortage of orders continues to be the main factor limiting expansion in the immediate future; lack of skilled labour is mentioned in this context only by one firm in five. The contrast between the capital and consumer goods industries is marked; while the latter continue to expand, the former are still experiencing a downward trend.

As far as the Board of Trade survey is concerned, the inquiry notes that the 'more promising features for the distributive and service industries reflect, in particular, increases in investment for leasing in computers and other capital equipment'. Also, it expects higher investment by the construction industry and in capital expenditure on television sets by rental companies. One must hope that these expectations, quite modest in themselves, are borne out.

Research and Development

ONE of the most important benefits from British entry into the Common Market would, as Mr Wilson has indicated to the Six, stem from Britain's substantial efforts in the field of research and development. The significance of this benefit may be judged by the French Government's known concern with the dominant position which United States industrial undertakings are acquiring in the European market for products dependent upon the new technologies such as electronics and computers.

A new publication from O.E.C.D. entitled *The Overall Level and Structure of R. & D. Efforts in O.E.C.D. Member Countries* (H.M.S.O., 9s), sets out the findings of a major inquiry, the first of its kind,

into the research and development efforts of the major industrial powers, excluding the U.S.S.R. (but a separate O.E.C.D. study on that country is being undertaken). The term 'R. and D.' covers all work for the advancement of scientific knowledge, undertaken with or without a specific practical aim in view, and the use of the results of basic and applied research directed to the introduction of new products and processes for the improvement of existing ones. The statistical difficulties of such measurement are difficult. More particularly, the current report measures only the *input* of such research effort and not the value of its results.

On this basis there is no doubt that for once in the international economic league Britain comes out well. Whether the results of her substantial input compare with those of other countries cannot be judged. Thus, in 1964-65 the gross national expenditure on R. and D. in Japan, which in this respect ranked only fifth, was \$829 million compared with Britain's \$2,160 million, which puts her second only to the U.S.A. - whose gross expenditure amounted in the same year to \$21,075 million. As a ratio of the gross national product at market prices, R. and D. outlays in the U.S.A. are equal to 3.4 per cent; the corresponding figure for Britain is 2.3 and for Germany and France 1.5 per cent.

Perhaps the secret of American success in exploiting the new technologies and scientific developments lies not so much in the weight of research outlays as in their concentration. Thus, the report refers to the 'relative homogeneity' of the United States programme in contrast with the 'multiplicity of decision-making centres and fragmentation of R. and D. programmes in all sectors of the economy in Europe'. Such a conclusion fortifies the case for effective European co-operation. This is an important report and warrants some serious thinking not least in connection with the recent report on the 'brain drain'.

T.V.A. in the E.E.C.

IN February this year - as noted in *The Accountant* of February 18th - the Council of Ministers of the European Economic Community decided that all the six members of the Community should introduce, not later than January 1st, 1970, a common system of tax on added value, although not necessarily at a common rate - that is expected to come later. Only France has actual experience of such a tax, and only France and Germany have enacted legislation embodying the essentials of the new tax. Germany's multiple turnover tax will be replaced by the new tax, while in the Netherlands a draft study Bill has been circulated for comments. There is an Italian Tax Reform Bill which contains brief provisions dealing with T.V.A., but neither Belgium nor Luxembourg has released any draft Bill yet.

A recent issue of *European Taxation*, the journal of the International Bureau of Fiscal Documentation of Amsterdam, is therefore of particular interest, for the

editors decided to devote the entire issue to the common system of tax on added value as envisaged by the E.E.C. There are about fifty pages of exposition followed by the text of two directives of the Council of Ministers.

Despite the negative findings of the Richardson Committee, it is clear that T.V.A. is coming to Europe and is likely to stay. If the United Kingdom is to become a member of the E.E.C., it, too, will have to adopt the tax. Meanwhile, this clear exposition, prepared by experts, will be of value to those wishing to study its many implications.

Graduate Career Choice

COUPLED with their latest salary survey, the Graduate Appointments Register has put out an interesting report on the manner in which some 1,400 graduates or professionally-qualified industrial executives selected their careers.¹ Perhaps the most striking fact to emerge from the report is that nearly two-thirds of the respondents first made their decision about their future careers before leaving school, and well over a third had made up their minds before or during their Ordinary level examinations. Over two-thirds of the sample had decided upon their careers before they embarked upon a course of further education but, of the remainder, many deferred the choice until after they had left college or university.

Not surprisingly, a number of the respondents changed their minds before qualifying; 45 per cent changed their minds once, and 16 per cent changed their minds a second time. At the present stages in their careers as industrial executives, about three-quarters of the sample felt committed to working in industry, only 3 per cent felt they were still free agents.

In view of the large proportion who felt that they had little choice but to remain in industry, the degree of satisfaction with their jobs is of interest. More than 60 per cent were more satisfied than otherwise with their present positions, but about half that number were dissatisfied. Even so half the sample, when asked if they would choose the same career if they had the opportunity to go back and start again, replied in the negative. Only 15 per cent stated that they would make the same choice. In view of these and other findings of this survey, it will be interesting to see the results of a further inquiry, to be published with the January salary survey, dealing with the image that different professions have in the minds of today's schoolchildren and undergraduates.

The October salary survey records a dramatic effect on the salaries of secretaries and shorthand-typists since the unfreezing of salaries in July. Since then, in Central London these two groups of office workers have had increases of about £1 per week - equal to about 6.6 per cent; typists and young male clerks have also had increases of 10s. The global average

¹Price £5 5s 'The Graduate Appointments Register, 5 Winsley Street, London W1.

salary for all clerical worker categories in Central London has increased by 15s to £14 in the West End and by 10s to £13 in the City.

Future Company Legislation

A SUB-COMMITTEE has been set up by The Institute of Chartered Accountants in England and Wales to consider matters of concern to accountants

which are appropriate for inclusion in future company legislation. To this end, regional technical advisory committees have been invited to send suggestions to the Institute for the assistance of the sub-committee.

In addition, any member of the Institute who feels that he can assist in this matter is invited to send, not later than December 31st, 1967, brief details either to his regional technical advisory committee or direct to the Institute.

This is My Life

by An Industrious Accountant

STATUTORY auditors seem to be developing a new approach, judging by the style of the senior in charge of the audit team that has just arrived.

A generation ago auditors tended to be dominant types with a monopoly of expertise and a rather charmingly patent consciousness of their omniscience. Industry's needs were simpler, tax problems were less complex, and clients' counting-house staffs were relatively unsophisticated in accounting techniques. Indeed, many of my own contemporaries will remember how often we had to write up the books of even medium-sized firms of the pre-war era before we could audit them.

Times change. The last decade or so has seen the majority of business concerns studded with able qualified accountants capable of meeting the auditors at least as equals in their skills. Auditors therefore seemed, to me at least, to behave generally as partners if not accomplices, displaying a genial deference on the surface, a mark of respect for grey hairs, while unobtrusively pressing their viewpoint as the optimum. Now, suddenly, the wheel has gone full circle again.

Our new man is brusque, keen-eyed, and inquisitorial. He wastes no words and puts his questions direct. He has worked and studied in the States, has a fluent new jargon which intimidates most of our staff, and knows all the answers. I like his style; it reminds me of the giants of the past.

Watching him one afternoon examining some journal vouchers with rapid fingerwork I commented idly that he apparently ticked nothing. No green or red pencil entries indicated his sampling of the postings. No check marks were seen on dockets or on analysis totals. He seemed surprised at my remark.

Ticks were obsolete function-wise, he said incisively. Nowadays the professional ethic eschewed them. Why waste time by the mere need to handle a pencil, why show which book-keeping areas had been tested? His responsibility was to scrutinize the control aspects

of our records and to evaluate work-load-wise the efficiency of the system structures. Tots and crosstots, paid cheques reconciliations, three months' postings vouched out of twelve, that old junk was for the birds. Nowadays the emphasis lay in balance-sheet analysis and fundamental values, not on making ticks.

He was rather amused when I suggested that at a later stage it might be necessary to review what actual checking had been comprised in the audit. If the point was queried, then, he said, he could give the answer. But who would ever want to know, and why was the information necessary? No; no, really, the modern assessment of priorities ruled out the old slavish adherence to the coloured initials.

As I listened I remembered the very first job given me as a raw newly-articled clerk sitting wide-eyed, eager, and unoccupied in the busy general office. The junior partner had entered, summed up our group in a split-second glance, then dumped on my desk a heavy maroon stock-book. 'All tots, and three extensions, preferably the biggest, per page,' he rapped. 'It's urgent, so get going immediately'.

Well, I fell on the work with all the zeal of youth. Page after page of meaningless lists of 'No. 714 CR, Section 19B, 143 @ 18/1½' were totted, scanned, tested, and finished . . . at length I bore it back to the junior partner . . . mission accomplished.

His eyes bulged as he flicked over the leaves. Which items, he rasped, had been checked? There were *no ticks*! What in heaven's name had happened?

I told him promptly that nobody had ever mentioned ticks. I'd done as instructed; I'd dated and initialled the last page; what was the point of further scrawling on the book? I still remember his tight-lipped stare, impatient, annoyed and contemptuous, but he said nothing further. Obviously he thought I was a fool, but whether he blamed himself for defective communications and leadership I'll never know. An hour later, however, I saw a second-year clerk with big blue pencil and ready-reckoner methodically at work on my stock-book, and retired mortified amid the grins of my colleagues.

Today, looking back on my humiliation, I realize happily that I was in reality a generation ahead of my profession.

Towards a Definition of Accounting

by M. J. MEPHAM, B.Sc.(Econ.), F.C.A., A.C.W.A.
Lecturer in Accountancy, University of Glasgow

ECONOMICS and accounting are closely connected and this article attempts to re-examine the relationship existing between them. That such a re-examination seems timely is evinced by the fact that the boundaries of each of these disciplines are currently changing in a manner which emphasizes their interconnection; yet there seems little appreciation of this.

The position taken here is that these developments provide strong reasons for considering accounting as a branch of economics. A definition of accounting in this context is suggested below and the implications of this definition are examined in succeeding paragraphs.

Robbins, in a frequently quoted definition, has stated that

'Economics is the science which studies human behaviour as a relationship which exists between ends and scarce means which have alternative uses.' (*An Essay on the Nature and Significance of Economic Science* - Macmillan & Co.)

This clearly indicates a close connection with accounting, for accounting deals with the analysis and interpretation of economic data in order to assist with the rational direction of these 'scarce means' towards the desired ends. That this has not been universally acknowledged by accountants is due to the fact that 'professional' accountants perform for their clients a mixture of services, many of which are of a legal rather than an economic nature. The preparation of computations and accounts for tax purposes is an important example of this.

Accountants have never considered themselves applied economists and, as it will be argued here that accounting is within the field of economics, it is useful to make a distinction between 'accountancy' which will be defined as the work of the accountant, and the concept of 'accounting' with which we are concerned.

The meaning attached here to 'accountancy' is that given in *The Shorter Oxford English Dictionary* where it is defined as 'the art or practice of an accountant'. This dictionary does not define 'accounting'.

Here - echoing Robbins - 'accounting' will be defined as - 'the branch of economics which studies the need for and the provision of quantitative information for planning and controlling the allocation of scarce means rationally over alternative uses'. This could be expanded by listing the following features of accounting:

- (1) The design and maintenance of appropriate models and systems (accounting systems) for the recording and projection of significant quantitative facts concerning the ownership and use of economic resources.
- (2) The process of recording and storing economic data arising from, or imputed to, past, current and projected future activities in such accounting systems and the processing and measurement of this data (data processing).

- (3) The application of statistical and other techniques to assist with the assessment of the data output and the preparation of optimum or satisfactory plans.
- (4) The preparation and communication of statements of relevant information (accounting statements) to assist the recipients with planning and controlling the allocation of economic resources.

Accountants obviously perform accounting work and there is considerable overlap between accountancy and accounting. As examples of the distinction between them, consider the following areas:

- (a) Budgetary control would come within the definition of accounting as it is a technique concerned with planning and controlling the allocation of a firm's resources. It would also be accountancy, as it is within the sphere of interest of the accountant.
- (b) The drafting of a set of accounts solely for the calculation of the firm's tax liability would be accountancy but not necessarily accounting, since the statement produced may be of little economic significance. Paradoxically tax returns are used as the basis for many items appearing in the national income accounts and national income accounts are a form of accounting, though not of accountancy.

It is hoped that these distinctions do not appear too tortuous but it would seem necessary, if we are to give a useful definition of accounting, to focus attention on the aims of accounting and its area of interest, rather than on a particular set of techniques used at a particular point of time by accountants. It is necessary to free accounting from the limitations of present accountancy practice if it is to develop and absorb the new techniques and approaches that are currently being proposed by non-accountants.

'Management' accounting and managerial economics

If accountants have not realized that accounting is part of the field of economics, the same is also true of economists. Economic theory has very largely (until recently) tended to ignore the problem of information; largely by assuming the difficulties away. Traditional economic theory assumes that, in the firm, the entrepreneur knows his marginal cost and marginal revenue curves. There is no necessity for a communication or accounting system as there is traditionally no management structure and no divorce between ownership and management.

Similarly between firms and industries it is assumed that competitors' cost and revenue curves are known. The consumer is also assumed to know the cheapest source of a product in a market and a complex range of alternatives open to him in the market. It is only recently that the unsatis-

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factory nature of these simplifying assumptions has been fully realized. This realization is connected with the increasing involvement of economists in managerial problems.

The connection between accounting and economics is most clearly seen when the areas of interest which have become known as 'management' accounting and managerial economics are surveyed. Both are comparatively new terms which came into common usage in Britain simultaneously in 1950-51; *Management Accounting* being the title of the productivity report published then by the team of accountants which visited America under the auspices of the Anglo-American Council of Productivity, and *Managerial Economics* being the name of Professor Joel Dean's pioneering book.

It is difficult to formulate definitions which effectively distinguish the two terms, as they both attempt to provide management with planning, control and decision-making techniques. Some of the techniques used have their origins in traditional economic theory. Marginal analysis has been adapted to give marginal costing and break-even analysis. Discounted cash flow techniques can be traced to the work of Böhm-Bawerk and Irving Fisher. Many of the basic ideas are, however, accounting concepts as accounting was the firm's management information system before the terms 'management accounting' and 'managerial economics' were invented.

A committee of the American Accounting Association has recently (1966) produced a report entitled *A Statement of Basic Accounting Theory*. This contains the following statement:

'Essentially, accounting is an information system. More precisely, it is an application of a general theory of information to the problem of efficient economic operations. It also makes up a large part of the general information systems which provide decision-making information expressed in quantitative terms.'

Both managerial economics and management accounting are making extensive use of mathematical techniques and this again serves to emphasize the close connection between them. Mathematical programming provides a complex of techniques which are examples of this.

In mathematical terminology, mathematical programming is concerned with the problem of optimizing one or more functions under one or more sets of constraints. This can readily be translated into economic terms as the problem of finding the best plan for allocating scarce economic resources. This is at the core of Robbins' definition of economics. In accounting, mathematical programming has potentially great importance in product mix, budgeting, production planning and similar problems – all, it should be noted, problems of allocating scarce resources.

Management accounting and managerial economics are thus very closely linked but the position is less clear when 'financial' accounting is considered.

'Financial' accounting and economics

It is usual to subdivide accounting into 'management' accounting and 'financial' accounting, although it is difficult to find acceptable definitions of these terms. Here we treat management accounting as being concerned with reporting to internal management and financial accounting as being primarily concerned with external reporting to shareholders, creditors, potential investors, etc. A division is warranted and useful but the accepted nomenclature is

unfortunate as the argument of this article is that the *raison d'être* of accounting is to assist with the management of resources and thus all accounting is in a very real sense management accounting.

In the practice of financial accounting there has traditionally been an emphasis on the legal aspects and requirements and a neglect of the economic functions of 'financial' accounts. This is also the case in the teaching of this topic. Accounting is subject to many legal provisions and an accountant must have a fairly extensive knowledge of the legal system within which he is working and especially of the rules applying to the accounting statements that he prepares. It is not denied that there are legal aspects to accounting as there are to other studies such as medicine and architecture, but the prominence which these aspects receive in financial accounting textbooks and courses is such that one could, with advantage, re-label the course as 'the law relating to external financial reporting'.

A financial accounting statement must comply with the law but it should also provide quantitative economic information of a business entity's (recent) past to a variety of external users (owners, potential investors, creditors, competitors, etc), to enable these to plan the disposition of the resources that they command. Financial accounting should be mainly concerned with satisfying these requirements – which may well be conflicting for different categories of user. The emphasis should be on producing balance sheets (for example) which are meaningful in an economic sense rather than legal trial balances.

This is not a brickbat for the law since the Companies Acts do require that the accounts show a 'true and fair view' and this phrase could quite properly be taken to mean that they should show facts which are economically meaningful. It is rather an indictment of the accountancy profession which has chosen to interpret this requirement in a very narrow way. Financial accounting statements have been looked on solely as satisfying a custodial function (i.e. as statements of stewardship) and this function has been narrowly conceived.

'At the most elemental level of stewardship responsibility it may be adequate to report only the kinds of resources received and disposed of, as might a custodian of securities, or the executor of an estate reporting on the distribution of property in kind. As the size and complexity of the resources administered increase and managerial responsibilities expand correspondingly, the need for variety in information emerges. Questions must be answered regarding the efficiency of administration of a profit making enterprise . . .' (*A Statement of Basic Accounting Theory* – American Accounting Association.)

Financial accounting statements rarely show the efficiency with which the owner's resources have been used, and yet the relevant dynamic view of stewardship would require that the stewards use their talents efficiently. The steward who 'went and digged in the earth, and hid his lord's money' effectively discharged his custodial function at the 'elemental level'. The book value of the capital of the venture remained intact and this may well be all that an orthodox set of accounts tells – it certainly does not show whether the 'real' value has remained intact in times of inflation (see *Prices Level Changes and Financial Statements – Case Studies of Four Companies*; R. C. Jones – American Accounting Association, 1955).

With the current emphasis on the need for industrial efficiency, the use of financial accounts to judge and to

promote economic efficiency could well increase if the accountancy professional will allow it to. H. Rose has put forward the thesis (in *Disclosure in Company Accounts* – Eaton Paper 1 – Institute of Economic Affairs, 1965) that accounts should be framed so as to enable investors to channel their funds into the more profitable and efficient businesses.

‘The wider economic interest of society demands disclosure (in company accounts) because a free economy operates through the spontaneous attraction of resources to points of highest productivity . . . Social economy in real resources demands that finance is channelled to uses where the rate of return is high and away from uses where it is not’.

Another related point appears in the ill-fated *National Plan* (Cmnd 2764 – H.M.S.O., 1965):

‘Sometimes Government action may be required to strengthen the forces of competition, for example, by . . . providing for more disclosure in company accounts’.

If financial accounting is to fulfill its economic function, research is urgently needed on the information needs of the prospective users. At present little has been attempted in this area by accountants. It has been left to the London Stock Exchange to consider the user’s needs and to make recommendations and rules which go beyond the detailed legal requirements for disclosure and now the new Companies Act provides that details of significant quantitative information, which more rationally should be contained in the accounts of limited companies, are to be given in the directors’ report.

Social accounting

The enlarged task of accounting that has here been discussed envisages it as a means of assisting in the allocation of resources among the competing units in the private enterprise sector of a mixed economy. The connection between accounting and economics also exists in another direction where accounting theory and techniques assist in the planning and control of economic resources at governmental level – this is the branch of economics known as social accounting. Economic planning at this level relies heavily on accounting.

Professor Mattessich (*Accounting and Analytical Methods* – R. D. Irwin, 1964) has forcefully argued the case for considering social accounting systems as an integral part of accounting rather than ‘as odd and distant relatives’. He divides accounting into micro-accounting and macro-accounting. Micro-accounting is concerned with recording, projecting and communicating quantitative economic information at the level of the individual enterprise, whilst macro- (or social) accounting deals with similar data in aggregate form at the national or industry level. Although the information for social accounting systems is not (in the main) obtained by consolidating the trading statements of the individual economic entities in the country nevertheless conceptually this is a helpful way of looking at this section of accounting.

Professor Yu (in his article ‘Micro-accounting and Macro-accounting’ – *Accounting Review*, January 1966) makes the following comparisons in this connection:

‘The national balance sheet and the national income and product account are equivalent to the two basic financial statements in financial accounting. The saving and investment account resembles the statement of retained earnings. Input-output tables, which reveal inter-industry

purchases and sales relationships, are merely an extension of the national income accounting system with emphasis on cost of goods manufactured. The flow-of-funds system is a direct adoption of the statement of funds in financial accounting. Finally, balance of payments is partially a variation of the statement of funds and partially an extension of the foreign transaction account in the national income system.’

There are, of course, many important differences between macro- and micro-accounting but the similarities outweigh these. A greater awareness of these connections (and differences) might well assist the development of both branches of accounting since an exchange of ideas cannot but be useful.

This is particularly relevant for students. At present the accounting syllabus is usually restricted to micro-accounting and if macro-accounting is dealt with elsewhere in an academic course it is unlikely to be related to micro-accounting. This is unfortunate since the techniques used in both are essentially based on the ‘duality principle’ which underlies the double entry system.

The inclusion of this topic within the accounting syllabus might well be considered. This could assist in the integration of the teaching of accounting and economics, with a useful cross-fertilization of ideas. There is also a subsidiary advantage which might accrue from the extensive use of the matrix form of presentation in social accounting. This could be a useful introduction to matrix algebra and linear programming, both topics which will be important in the accounting of the future.

Social cost-benefit analysis

Social cost-benefit analysis and the related concept of programme (or output) budgeting, are terms used to cover a number of techniques which are currently being suggested as suitable for evaluating the performance of State-financed enterprises and the profitability of Government projects. In such circumstances commercial accounting methods are often irrelevant or are incomplete in respect of the factors that are considered.

There is obviously the necessity for an efficient allocation of economic resources in such fields as education, the health service, defence, road improvement schemes, etc., and there is thus a need for appropriate accounting. The budgeted profit and loss account prepared by a commercial firm for planning purposes matches prospective benefits against the projected costs of obtaining such benefits. A budget is accepted which produces a satisfactory rate of return on capital employed.

Similarly, commercial investment appraisal techniques calculate the expected rate of return or the present value of a project by comparing the cost with the estimated benefits. In a sense, these accounting methods are forms of cost-benefit analysis. They are obviously not suitable for use in (say) educational planning.

The term ‘social cost-benefit analysis’ is used for methods appropriate for situations (such as educational planning) where the market does not supply monetary values for all the relevant costs and benefits and the aim is to maximize social utility rather than monetary profits. In such circumstances an attempt is made to estimate the ‘value’ in financial terms of the cost and benefits which are not provided by the interplay of market forces.

Social cost-benefit analysis is also applicable to

nationalized industries and Government trading activities. Although these might seem to be capable of being run on commercial lines and target rates of return may be fixed, nevertheless it is recognized that the Government's responsibility is rather wider than that which a board of directors would normally envisage for itself. Thus the Victoria line study made by C. D. Foster and M. E. Beesley ('Estimating the Social Benefit of Constructing an Underground Railway in London' - *Journal of the Royal Statistical Society*, Series A, Volume 126, Part I - 1963) indicated that as a commercial proposition the Victoria line project was unattractive but when social considerations were evaluated it was found that from the community's viewpoint it was an advantageous investment.

Social cost-benefit analysis is an economic technique developed by economists; is it also part of accounting? It is suggested here that it is. The comparisons of income and expenditure, profit and loss, input and output, costs and benefits are all fundamentally examples of the matching of debits and credits which have been the concern of accounting in its task of promoting efficiency since the double-entry technique was invented. Social cost-benefit analysis is an adaption of the more conventional commercial accounting techniques and it falls within our definition of accounting.

Terminological difficulties

The terminology of accounting is in a state of flux as so many different approaches and techniques are at present being applied by economists, statisticians, O.R. experts, accountants and others. A substantial part of the terminology is, however, that of the accountant and accountancy. There are many terms common to both accountancy and economics. This has advantages in the integration of accounting and economics but there are also disadvantages in that frequently these terms are used to cover different ideas. The following are examples; capital, cost, direct cost, joint cost, marginal cost, depreciation, expense, income, profit and value.

In some instances the differences are fairly clear. The term 'firm' in economics means a business enterprise, but in accountancy literature the term is normally used in the legal sense, as meaning a partnership. This is a trivial example as such differences as this are unlikely to cause difficulty but in other cases there is only a subtle distinction. It is important to recognize these differences when we move from accountancy to accounting.

One way in which some of the difficulties can be partly resolved is to distinguish between the theoretical economic concepts of cost, capital, depreciation, value, etc., and the practical measurements of these which are obtained by using the various accounting conventions and rules.

Accounting conventions arise because of the practical difficulties which have to be faced when making accounting measurements. Often these difficulties are avoided by theoretical economists by the insertion of appropriate 'assumptions', e.g. the assumption of certainty of the future. Sometimes, however, definitions and even principles have been erected by accountants on these 'working rules'. Accounting conventions do not give a wholly satisfactory measurement but this does not mean that we have to alter the definition of the basic concept to fit the accounting techniques. Absolute zero temperature as a concept is not abandoned because scientists have not attained it experimentally.

In a number of instances economic theory provides useful concepts which accounting techniques attempt to measure, usually in monetary terms. If this distinction is observed it links accounting and economic terminology and leaves room for improvement in the measurement conventions. If, however, we create a new definition to cover existing accounting conventions we tangle the links with economics and inhibit the introduction of improvements. This can be illustrated by reference to the definition of depreciation given in the Accounting Terminology Bulletins of the American Institute of Certified Public Accountants. This states:

'Depreciation accounting is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation. *Depreciation for the year is the portion of the total charge under such a system that is allocated to the year.*' (Present writer's emphasis.)

This is *not* a definition of depreciation as an economic fact but a summary of some of the accounting conventions used in attempting to measure depreciation.

In 1951 a joint exploratory committee of The Institute of Chartered Accountants in England and Wales and the National Institute of Economic and Social Research issued a report entitled *Some Accounting Terms and Concepts* (Cambridge University Press). It is now opportune for this committee to be reconstituted and for a new effort to be made to explore the concepts of accounting with the aim of linking these to established economic theory. This should be an easier task now that economists and accountants are working together in the field of business management.

Theory of the firm

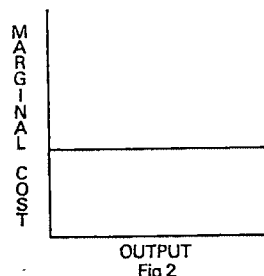
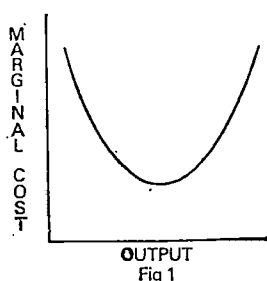
Macro-economics and macro-accounting do not cover precisely the same areas of the economy but the two are so closely related and integrated that few would dispute the proposition that macro-accounting is a branch of economics.

With the integration of micro-accounting and micro-economics, there are difficulties. Particularly is this so when an attempt is made to reconcile accounting techniques with the established 'theory of the firm'. This is likely to cause difficulties for students of accounting since, although the standard theory of the firm has been increasingly criticized as unrealistic, it remains an integral part of most courses of elementary economics.

The entrepreneur of the theory of the firm is an individual who ignores accounting techniques and subscribes to theories which in accounting would be considered extremely doubtful. He never prepares a budget but arranges his production so that marginal cost equals marginal revenue. He tries to maximize his profit but apparently knows nothing of profit planning.

One glaring inconsistency between the theory of the firm and the usual assumptions of accounting appears in the competing descriptions of the shape of a firm's cost curves. Is, for example, the marginal cost curve markedly 'U'-shaped, as many economics textbooks teach (see Fig. 1), or is marginal cost commonly constant for a wide range of output. This latter theory would give the horizontal straight-line curve, which is usually assumed to apply in such accounting techniques as break-even analysis (see

Fig. 2). The differences of terminology are present here but this is not the sole factor involved (see the author's 'Cost, Output and the Accountancy Student' - *The Accountant*, May 8th, 1965).



The simplifying assumptions made in the elementary theory of the firm would seem to be too unrealistic. It does not seem possible to relate the two disciplines in this area in a tidy fashion at present, but accounting theory could well assist in the revision of this section of economic theory. The accounting model of the firm is far more realistic than the established economic theory and perhaps what is needed is an accounting theory of the firm. Until this revision occurs it would seem appropriate to comment on the differing approaches and theories in accounting courses.

Conclusion

The proposition has been made that accounting should be regarded as part of economics and some of the reasons for this suggestion (and some of the difficulties) have been briefly examined. One apparent difficulty must be mentioned. It could be argued that this proposal to distinguish

accountancy from accounting and to regard the latter as the study of the quantitative managerial aspects of economics is unsound in that it imports a meaning to the term 'accounting' which is so wide that it includes much which is in the sphere of interest of economists, econometricians and operational research workers. This point is accepted but not as a criticism.

The first sentence of a popular introduction to operational research reads 'This is a book about measurement in management' (*A Guide to Operational Research*, by E. Duckworth, Methuen, 1962) and the first sentence of a recent article by Professor Johnston is 'Econometrics is concerned with obtaining quantitative information about economic systems' ('Econometrics: Achievements and Prospects', *The Three Banks Review*, March 1967). Professor Mattessich says in this connection (in his book, *Accounting and Analytical Methods*):

'It would be vain toil to convince the experts of statistics, econometrics, operations research, activity analysis, information and communication theory, systems engineering, etc., that they are ultimately concerned with accounting.'

Here we disagree with Professor Mattessich. If these experts are all working in the same area it would appear logical to give the field of study a name. It would be vain toil to try to convince an O.R. specialist that he is an accountant practising accountancy (and accountants also would quite properly take exception to this) but this is not the suggestion. Here we are suggesting that O.R. workers, accountants, etc., are for much of their time working in the area of accounting - a term which seems very suitable for a description of that expanding branch of economics which embraces a number of approaches to the study of the provision of quantitative economic information.

Learning to Live with Taxes on Capital Gains - III

by STANLEY KITCHEN, F.C.A.

LONG-TERM GAINS ON ASSETS HELD AT APRIL 6th, 1965

IN order that the capital gains tax should not operate retrospectively the legislation was framed so that any gain or loss should apply only to the period after April 6th, 1965. It would have been the simplest course to relate all transactions to market values at April 6th but this would have involved some gains being calculated in excess of actual gains made. Unfortunately in endeavouring to be equitable the rules applying the necessary formulae are complicated.

1965
16
4 150. For all chargeable assets, other than shares which had a quotation at April 6th, 1965, or land in the United Kingdom, which had a development

The concluding part of a paper presented at the Cambridge Summer Course of The Institute of Chartered Accountants in England and Wales on September 22nd.

value on disposal, the time-apportionment basis is applied. This assumes that the gain has grown at a uniform rate from the date of original acquisition, which cannot be treated as earlier than April 6th, 1945, until the date of disposal. The gain is then restricted to the fraction which the time after April 6th, 1965, bears to the whole period of ownership.

151. Expenditure may have been incurred on assets at dates other than the original date of acquisition. This necessitates separate time apportionments and for this purpose the whole gain is first allocated in proportion to the different blocks of expenditure.

p25 152. As an alternative to the time-apportionment basis the taxpayer may claim that the gain or loss be related to the market value of the asset at April 6th, 1965. This alternative basis has attached to it a proviso that original cost must be examined, as the loss must not be greater than the actual loss over the whole

period of ownership. If the April 6th valuation produces a gain and the original cost basis produces a loss, or vice-versa, the transaction falls into a neutral zone of neither gain nor loss.

153. This claim, which is irrevocable, must be made within two years of the disposal, which gives little time for consideration, and the Inland Revenue will not agree valuations before an election is made. If a part disposal is involved, any future disposals of the same asset must be treated in the same way. If no election is made the time apportionment is quantified in respect of the whole asset at the time of the first disposal in relation to market values. On disposal of the retained part the chargeable gain on that part, ascertained for the period up to the first disposal, is added to the actual gain from that time to disposal. If an election is made the April 6th value applies but always with the proviso attached.

154. The April 6th, 1965, value is mandatory for calculating a gain in respect of shares which were held at that date and were then quoted, and in respect of land held at that date in the United Kingdom, which had development value on disposal. The proviso is extended so that the gain as well as the loss cannot exceed the overall gain or loss in relation to the original cost, and the neutral zone also applies. These 'normal' rules do not apply to the disposal after April 5th, 1967, of development land in Great Britain unless separate election is given.

Unquoted shares

155. Unquoted shares held at April 6th, 1965, are treated separately from the pool, which operates on all acquisitions after that date. Disposals of pre-April 7th, 1965, holdings are dealt with on the FIFO basis until these holdings are eliminated, but each separately identified share disposed of is treated as a single asset. Therefore if, on a disposal, an election is given for April 6th value instead of time apportionment, that election will not bind future disposals of pre-April 7th holdings. The election would appear to have the effect of introducing that holding into the pool at April 6th value and for the gain to be calculated in relation to pool value, according to the rules for quoted shares. In practice this is not being followed and all pre-April 7th, 1965, holdings are being kept out of the pool.

156. Where a reorganization of unquoted share capital, other than a variation in the number of shares held of the same class, took place after acquisition but before April 6th, 1965, any gain must be calculated in relation to market value at April 6th, 1965, and time apportionment does not apply. A reorganization after April 5th, 1965, involves a valuation at the date of reorganization, the time apportionment formula being applied to that date and the actual gain subsequently.

Quoted shares

157. Quoted shares held at April 6th, 1965, start the pool by being included as valued on that date. Subsequent purchases are added at cost thereby varying the pool value. Sales are normally eliminated and gains calculated on the last pool value, except for sales subject to short-term gains which are eliminated at

acquisition cost, and sales of shares held at April 6th, 1965, where a gain or loss related to original cost gives either a lower figure or falls into the neutral zone, when they are eliminated as valued on April 6th, 1965.

158. Ideally for a holding of quoted shares held at April 6th, 1965, a memorandum account should be built up showing the cost of each acquisition, which on subsequent sales should be reduced on a FIFO basis. Every disposal should be examined to see whether the April 6th value or original cost produces the smaller gain or loss or whether it falls into the neutral zone. If the April 6th value prevails the actual calculation of the gain is in relation to the last pool value. In practice the ascertainment of precise cost will normally be difficult and often impossible but in many cases it will be unnecessary. The Inland Revenue appear willing to accept reasonable approximations of cost.

VALUATIONS

159. There will be frequent occasions when the market value of an asset has to be ascertained and this will apply particularly on the occasion of a gift, a bargain not at arm's length, a part disposal, a death, the termination of a life interest and – perhaps the most frequent of all – at April 6th, 1965.

160. For both the short- and long-term tax, market value is defined as the price which assets might reasonably be expected to fetch on a sale in the open market. The long-term rules also state that no reduction can be made for the assumption that the whole of the assets will be placed on the market at the same time but, where an asset has to be valued in consequence of the death of an owner, depreciation involved by reason of that death can be taken into account.

161. This is small guidance for those who have to view the market place with the imaginary vendor and the hypothetical purchaser, an arm's length apart, and have to conjure up an opinion, which comes to be called a valuation. The imagination has to be further stretched to anticipate the opinion which might subsequently be taken by the Inland Revenue. This applies particularly to unquoted shares, but much helpful advice can be obtained from the paper on 'The innocent shareholder and the value of his shares' given by Mr T. A. Hamilton Baynes at the Oxford summer course in July 1967.

162. The long-term rules are very specific regarding the valuation of Stock Exchange securities. The short-term rules are silent and, although middle market price has been accepted in the past, it is understood that, henceforth, the long-term rules are to be followed.

163. The normal basis for the long-term tax is, as for estate duty purposes, the LOWER of:

- (1) One-quarter up on the lower of the two quoted prices, or
- (2) Half-way between the highest and lowest prices of recorded bargains, excluding special bargains.

For unit trusts the price taken is the buying price.

FA 1962
s16(r)
FA 1965
s44

FA 1965
sch 6
p22(3)

164. For valuations at April 6th, 1965, this basis is varied so that the price taken is the HIGHER of:

- (1) Half-way between the two quoted prices, or
- (2) Half-way between the highest and lowest prices of recorded bargains, excluding special bargains.

For unit trusts the price taken is half-way between the buying and selling prices.

844

165. These prices may need modification if:

- (1) Quoted prices are not a proper measure of market value;
- (2) A provincial Stock Exchange affords a more active market;
- (3) The Stock Exchange is closed in which case the latest previous day or earliest subsequent day is taken on which the lower market value would apply.

For dollar stocks adjustments are required to take into account the London premium and, for valuations after April 6th, 1965, the Exchange Control requirement to surrender 25 per cent of that premium.

WHAT NEXT?

166. In this paper I have attempted to include some guidance on the computation of gains, but some problems are difficult to visualize without practical examples. I have therefore set out in Appendix I three such problems, which I have chosen because the circumstances may well be encountered frequently in practice, and the solutions, which I have attempted in Appendix 2, are somewhat complex and often misunderstood.

167. These examples perhaps help to accentuate – if this is needed – the problem of living with these taxes. Many of the complications are excused as being only transitional, caused by the overlapping of April 6th, 1965. This may be partly true, but it will be a long time before assets acquired prior to that date have been eliminated. The vexed question of deciding, without agreed valuations, whether to elect for April 6th value or leave the time-apportionment basis to operate is likely to be particularly troublesome.

168. The considerations involved in dealing with this problem will be very time-consuming, but so will the many complex computations involved in calculating gains or losses which turn out to be infinitesimal in amount. Suggestions have been made that all gains under a certain amount should be ignored. The difficulty here is that all the detailed computations will have first to be done. Is there perhaps hope that some alleviation might be given in relation to consideration, as is recognized with the £1,000 limit applicable to chattels?

169. Much of the time involved in doing these computations will fall on practising accountants and it is very costly. It seems particularly niggardly that our charges should not be an allowable cost, except in relation to valuations. It is to be hoped that, in practice, at least the considerable time involved in trying to ascertain some measure of original cost, will

be treated as in relation to valuations, as indeed it is. The stage has been reached when it is now a near requirement for all taxpayers to have annual accounts and 'proper' records. If this could be encouraged by allowing accountants' charges it would do much to assist both the taxpayer and the Inland Revenue.

170. Another matter of considerable importance to practising accountants, and indeed to members of professions generally, is the treatment of professional goodwill. When this is bought and sold capital gains tax must be involved, but will this apply when there is a change of profit-sharing ratios in a partnership and no cash consideration passes? It might be contended that this is a disposal which must be treated as at market value and not as pursuant to a bona fide commercial arrangement. This is not free from doubt but the case is strong for arguing that capital gains tax will not apply where, in accordance with bona fide partnership arrangements, there is no cash consideration.

171. Many firms have for some time regarded goodwill as being vested in a professional firm and as not attaching to individual partners. There are a variety of reasons for this but it is chiefly because, in the heavily taxed world of today, an incoming partner could not afford to pay a capital sum to an outgoing partner which would enable that partner to retire on the income it would produce. Can professional goodwill therefore have more than a nominal value?

172. Provision has still to be made for an individual's retirement or death and the annuity system has developed, whereby partners make mutual bona fide arrangements. This is usually something quite apart from goodwill but there are rumblings that the capitalized value of an annuity may be regarded as consideration for the disposal of goodwill. Does this turn on the legal wording of agreements or are the professions again to be put at a disadvantage so that 'pension' arrangements for partners are heavily penalized but superannuation funds encouraged?

173. As I conclude this paper I am conscious of many omissions, but this is inevitable when the amount of darkness which needs light to be shed on it is so large. The legislation of these recent years has caused the remark to be made that we now have the most sophisticated system of capital gains taxes in the world. It must be, but what next?

Appendix I

PRACTICAL EXAMPLES OF COMPUTATIONS

These problems require the computation of gains and losses, ignoring all incidental expenses, which in practice might be of some consequence.

1. PRIVATE RESIDENCE

On April 6th, 1960, an individual purchased a freehold house in Birmingham for £9,000. Subsequent expenditure on the house was all on maintenance except £1,000 spent on the installation of central heating on April 6th, 1964. On April 6th, 1965, the market value was £11,500. The house was sold on April 6th, 1980, for £18,000 and had no development value. Neither

the individual nor his wife had any other residence at any time.

His history was as follows:

April 6th, 1960	Bought and occupied house.
September 30th, 1964	House let while employed abroad.
September 30th, 1966	Returned to U.K. but lived in hotel in Birmingham.
September 30th, 1968	Employed in Liverpool but lived in rented accommodation.
April 6th, 1971	Returned to Birmingham but lived with relatives.
April 6th, 1973	Resumed occupation of house.
September 30th, 1979	Bought and occupied another house.
April 6th, 1980	Sold original house.

2. QUOTED SHARES

Transactions affecting a person's holding of ordinary shares in X Ltd, a quoted company, were as follows:

(1) May 31st, 1950	Purchased	5,000 shares at 15s	£3,750
(2) April 6th, 1965	MARKET VALUE of holding	5,000 shares at 19s	4,750
(3) May 31st, 1965	Purchased	1,000 shares at 25s	1,250
(4) June 30th, 1966	Sold	5,000 shares at 22s	5,500
(5) Sept. 30th, 1966	Purchased	2,000 shares at 26s	2,600
(6) Mar. 31st, 1967	Bonus issue 1 for 1		
(7) April 5th, 1967	Bonus shares sold	3,000 shares at 15s	2,250
(8) Dec. 31st, 1967	Rights issue 1 for 6 at 10s Rights immediately sold	500 shares at 2s	50
(9) Mar. 31st, 1968	Offer accepted from Y Ltd, to acquire all shareholdings in X Ltd: For every three shares in X Ltd: 5s cash, £1 Debenture stock (first quoted at 10s). 2 Ordinary shares in Y Ltd (first quoted at 7s).		

3. UNQUOTED SHARES

Transactions and values affecting an individual's holding of ordinary shares in an unquoted company, happily occurring on April 6th, in each year, were agreed as follows:

(1) 1948	Acquired on father's death	5,000 shares at 50s	£12,500
(2) 1962	Purchased	10,000 shares at 40s	20,000
(3) 1965	MARKET VALUE of holding	15,000 shares at 55s	41,250
(4) 1966	Purchased	14,000 shares at 52s	36,400
(5) 1968	Sold	4,000 shares at 52s	10,400
(6) 1969	Settled on family	8,000 shares at 60s	24,000
(7) 1977	Died	17,000 shares at 35s	29,750

Appendix 2

SUGGESTED SOLUTIONS

1. (1) The history is examined, in the order indicated, to see what periods qualify as occupation after April 6th, 1965:

	Years	
(a) Employment outside U.K.	1½	Qualify - no limit.
(b) Employment elsewhere in U.K.	2½	Qualify - less than four years.
(c) Within last twelve months	½	Qualify - less than one year.
(d) Other periods	2 + 2	Do not qualify - more than three years.

$$\frac{\text{Non-qualifying period}}{\text{Period of ownership}} = \frac{4}{15}$$

(2) The notional gain is calculated. Cost is the acquisition cost (£9,000) plus the cost of central heating (£1,000).

(a) Time-apportionment basis

Proceeds of sale	..	..	..	£18,000
Cost April 6th, 1960	..	..	..	£9,000
April 6th, 1964	..	..	..	1,000
				<u>10,000</u>
				<u>£8,000</u>

The gain is then allocated to each block of expenditure pro rata and the period after April 6th, 1965, time-apportioned.

$\frac{9,000}{10,000} \times 8,000 \times \frac{15}{20}$	..	..	=	£5,400
$\frac{1,000}{10,000} \times 8,000 \times \frac{15}{16}$	..	..	=	750
GAIN	..	..	..	<u>£6,150</u>

(b) Alternative April 6th, 1965, basis

Proceeds of sale	..	..	..	£18,000
Market value April 6th, 1965	..	..	..	11,500
GAIN	..	..	..	<u>£6,500</u>

The time-apportionment basis produces the lower gain so no election would be made.

(3) The chargeable gain is then finally computed by applying the non-qualifying fraction:

$$\frac{4}{15} \times £6,150 \quad .. \quad .. \quad = \quad \underline{\underline{£1,640}}$$

2. Pool account

	Shares	Pool	Value
(2) April 6th, 1965 (cost 15s May 31st, 1950)	5,000	19s	£4,750
(3) May 31st, 1965 Purchase	1,000	25s	1,250
	6,000	20s	6,000
(4) June 30th, 1966 Sale	(5,000)	20s	(5,000)
	1,000	20s	1,000
(5) September 30th, 1966 Purchase	2,000	26s	2,600
	3,000	24s	3,600
(6) March 31st, 1967 Bonus	3,000		
	6,000	12s	3,600
(7) April 15th, 1967 Sale	(3,000)		(1,950)
	3,000		1,650
(8) December 31st, 1967 Sale of rights			(50)
	3,000		1,600
(9) March 31st, 1968 Part disposal			(200)
	3,000		<u>£1,400</u>

Transactions

(2) The pool account is opened with the number and value of holdings at April 6th, 1965.

(3) The purchase is added to the pool, thereby altering pool value.

(4) There is no acquisition within the preceding twelve months and therefore no short-term problem. The sale is identified with the earliest acquisition on May 31st, 1950, which was brought into the pool at April 6th, 1965, value. The sale price of 22s has to be compared with April 6th value and original cost; the former gives the smaller gain so the computation is made against pool value:

Proceeds of sale	5,000 at 22s	..	£5,500
Cost (= Pool value)	5,000 at 20s	..	5,000
LONG-TERM GAIN	..	..	<u>£500</u>

Elimination from the pool is at pool value. If original cost was 24s the transaction would be neutral; if 21s this cost would be substituted. In both these cases elimination from the pool would be at April 6th value.

- (5) The purchase is added to the pool, again altering pool value.
 (6) The bonus issue alters the number of shares and pool price.
 (7) The earliest acquisition within the preceding twelve months is that on September 30th, 1966 (5) and the sale is identified with it to give a short-term gain:

Proceeds of sale	3,000 at 15s	..	£2,250
Cost (adjusted for bonus)	3,000 at 13s	..	1,950

SHORT-TERM GAIN £300

Elimination from the pool is at cost.

- (8) The sale of the rights is treated as a capital distribution. As it appears to be less than 5 per cent of the current value the pool value can be adjusted.

500 at 2s	..	£50
-----------	----	-----

There is no adjustment to the number of shares still held.

- (9) There is no acquisition within the preceding twelve months and therefore no short-term problem. The cash received is a part disposal and involves a long-term gain.

Cash received	..	£250
---------------	----	------

Cost of part disposal ($\frac{A}{A+B}$ of pool value)

$\frac{250}{250 + (1,050 + 700)}$ of 1,600	..	=	200
--------------------------------------------	----	---	-----

LONG-TERM GAIN £50

Elimination from the pool is at the 'part' pool value.

The pool account is then split by allocating the pool value to the new holdings in proportion to the relative market values:

£1,000 Debenture stock at 105	=	£1,050	£840
2,000 Ordinary shares at 7s	=	700	560
		<u>1,750</u>	<u>£1,400</u>

3. Transactions

- (1)(2) These do not join the pool as they are pre-April 7th, 1965, transactions.
 (4) This transaction starts the pool.
 (5) This disposal is identified with the acquisition in (1).

Time-apportionment basis

Proceeds of sale	4,000 at 52s	£10,400
Cost (probate value)	4,000 at 50s	10,000

GAIN .. 3/20ths of £400 = £60

April 6th, 1965 basis

Proceeds of sale	4,000 at 52s	£10,400
Market value	4,000 at 55s	11,000
(April 6th, 1965)		
LOSS	..	<u>(£600)</u>

The election should be made but the transaction falls into the neutral zone so that neither gain nor loss arises.

- (6) This disposal is identified with 1,000 shares left from (1) and 7,000 in (2).

(a) 1,000 shares

Time-apportionment basis

Market value		
(April 6th, 1969)	1,000 at 60s	£3,000
Cost (probate value)	1,000 at 50s	2,500

GAIN .. 4/21sts of £500 = £95

April 6th, 1965 basis

Market value		
(April 6th, 1969)	1,000 at 60s	£3,000
Market value		
(April 6th, 1965)	1,000 at 55s	2,750

GAIN £250

The smaller chargeable gain is £95 so that no election would be made.

(b) 7,000 shares

Time-apportionment basis

Market value		
(April 6th, 1969)	7,000 at 60s	£21,000
Cost	7,000 at 40s	14,000

GAIN .. 4/7ths of £7,000 = £4,000

April 6th, 1965 basis

Market value		
(April 6th, 1969)	7,000 at 60s	£21,000
Market value		
(April 6th, 1965)	7,000 at 55s	19,250

GAIN £1,750

The April 6th, 1965, basis produces the smaller gain so the election should be made.

- (7) The deemed disposal on death is identified with the 3,000 shares of 1962 vintage (2) and with the 14,000 shares in the pool.

(a) 3,000 shares

Time-apportionment basis

Market value at death		
3,000 at 35s	£5,250	
Cost ..	3,000 at 40s	6,000

LOSS .. 12/15ths of £(750) = £(600)

April 6th, 1965 basis

Market value at death		
3,000 at 35s	£5,250	
Market value		
(April 6th, 1965)	3,000 at 55s	8,250

LOSS £(3,000)

The April 6th basis gives the greater loss so the election should be made, but the allowable loss would be restricted to that relating to original cost, viz £750.

(b) 14,000 shares

Market value at death		
14,000 at 35s	£24,500	
Pool value	14,000 at 52s	36,400

LOSS £(11,900)

(Concluded.)

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MAINLY FOR STUDENTS

The Economy: Structure and Growth

by R. G. HOLLOWAY, B.Sc.(Econ.)

ECONOMIC growth is an extremely complex phenomenon, not least because its multitudinous impediments vary widely in relative importance from country to country and over time. One result of this variation is the distinction which is generally made between two groups of countries: the developing and the developed. The United Kingdom has a place in this second group; but this is not to suggest that Britain (or, for that matter, any other country) has ceased to face impediments to further growth.

The economic growth which Britain, in common with others, seeks to achieve is a growth in real income per head or, in simpler (though vaguer) words, a rising standard of living. In some countries foreign aid may contribute substantially to a rising standard of living. In others, including the United Kingdom, net earnings from foreign investment may make an important contribution, especially in helping to balance international payments without drawing on reserves. In the years that lie ahead, however, the United Kingdom must rely largely on increasing the total value of its own production. Crudely but simply expressed, economic growth is a growth in output.

Growth in output

How this growth in output is to come about may be considered to involve problems of economic development. Development may be equated with structural and functional change and, although growth could conceivably occur without it in the special circumstances of a primitive or pioneer society, these circumstances do not apply to Britain today. But neither do the full problems of development. The first major step, the transition from barter to banknote and from virtual village self-sufficiency to a national market economy trading on a major scale with other nations – together with the necessary changes in political conditions, social attitudes and modes of transport – was achieved centuries ago. The completion of the second phase, the transformation of the country's export trade from a narrow base of primary commodities to a more diversified and processed pattern, is also a matter of distant history. It is the completion of these phases which distinguishes the 'developed' countries from the 'developing'.

Neither of these major phases could be completed without technological change. In the third stage of economic growth, however, it is the application of new technology which is the principal characteristic. Its application does not invariably require the process of saving and investment. In some cases it may actually save capital; but, more generally, new technology does require expensive investment in new plant and machinery, buildings, roads, transport equipment and other items. Apart from this new fixed capital formation, investment is needed in the

frequently protracted processes of research and development and in the educational system which provides both the basis for scientific discovery and an essential part of the means for its application.

Together, this fixed capital formation and investment in human resources provide the capacity for economic growth. Even, so, economic growth may not occur. The most general pre-condition for rapid economic growth is the existence of an adequate and sustained pressure of demand on the productive resources of the economy. Where this condition is fulfilled, optimistic and dynamic attitudes develop among entrepreneurs and workers. In turn, the record of comparative history suggests that the existence of confident expectations produces rapid increases in productivity by increasing innovation, investment and mobility.

It is important to understand the economy as it is before attempting to consider the direction in which changes should be made and how these changes can be achieved.

The United Kingdom has a highly-developed set of national accounts which provide a systematic summary of the transactions taking place in the economy, especially of those relating to the production and use of goods and services and to transfers of income and capital.

As published annually in the *National Income and Expenditure* Blue Book, these accounts can be examined in various degrees of complexity. It is, however, the aggregate relationships with which this article is primarily concerned and these involve a few major concepts which can be simply described, together with their implications for growth.

Production

The concept of production is fundamental to a system of national accounting. Production is the process whereby human effort is applied to the provision of valuable goods and services. This effort will invariably involve both physical and intellectual exertion though in widely differing degrees. It may be applied to transforming some material resource or resources into more useful forms and it will very often be applied with the aid of plant, machinery or other equipment. The important point to note is that the process is not confined to the production of goods. It also includes the provision of services. These services may either add to the value of goods (e.g. by transporting them from a factory to a point more convenient for the purchaser) or they may be bought in their own right (e.g. the services of lawyers, accountants and business consultants, soldiers and servants, actors and musicians).

In its widest sense, the process of production is not confined to goods and services which are clearly of monetary value because they are sold. It also includes goods and

services made available freely by the person or organization producing them or which are used directly by their producer. For national accounting purposes, however, it is necessary to take a more restricted view since it is not practicable to put a realistic value on the whole of production. The aim in the British system is to include the value of all goods and services which actually enter the market by being sold and also that part of production which does not enter the market but for which it is reasonably practicable to impute a monetary value.

Other problems of valuation

In measuring the total value of production in the community, other problems of valuation have to be faced. Many goods and services, including imports, are bought by enterprises for further use in their own productive activities. Adding together the value of all goods and services at their actual or imputed sale price would therefore give the total value of turnover and not the total value of production. Duplication is eliminated by taking only the value of goods and services produced in the United Kingdom less the cost of goods and services used in the process of production. The total value added in the country is termed the domestic product. Domestic product valued before deducting the cost of depreciation (wear and tear of machinery, etc.) is termed gross. Gross domestic product is the normal basis of international production comparison since net domestic product (gross domestic product less depreciation) is necessarily less exact.

The intervention of Government in the economy also produces problems of valuation. This is, firstly, because it provides many goods and services without benefit-related charges to individual recipients. These goods and services therefore have to be valued at their cost. This cost is most unlikely to measure accurately their true value to the community and it is possible to suppose that the extension of the scope of Government activity will mean that the valuation of domestic product will more and more underestimate the true value in terms of economic welfare. Secondly, the prices at which goods and services are sold often contain a substantial element of indirect taxation while other goods and services are subsidized and can therefore be sold at less than their cost. Gross domestic product can, therefore, be valued at market prices or, by deducting net indirect taxation, at factor cost.

The contributions of individual industries to domestic product are valued at factor cost. The tabulation of this industrial origin of domestic product is a means of structural analysis which might be thought to be indicative of the need for change when compared with the industrial structures of the United States, Canada, Sweden and West Germany – all countries with higher per capita products.

Differences in national accountings systems

But differences in national accounting systems prevent a close and detailed analysis. Comparison between the British and United States economies is, for instance, difficult because in neither case is it possible to make an accurate adjustment between gross and net valuation by allocating depreciation to groups of industries. A provisional allocation of capital consumption to the different groups of British industry suggests, however, that this difference is not significant.

It may therefore be concluded that the United States has

INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT¹

	Per cent				
	UK	USA ²	Canada	Sweden	West Germany
Agriculture, forestry and fishing	4	4	7	8	5
Manufacturing, fuel and power, etc.	42	35	35	38	47
Construction ..	7	5	6	9	8
Transport, storage and communications ..	9	6	9	10	6
Other services ..	38	49	44	35	34

¹1965; excluding ownership of dwellings, stock appreciation, indirect taxes, subsidies and residual error.

²Net

Sources; Central Statistical Office, *National Income and Expenditure 1966*; United States Department of Commerce, *Survey of Current Business*; Dominion Bureau of Statistics, *National Accounts, Income and Expenditure 1965*; Ministry of Finance, *The Swedish Economy 1966–1970*; Deutsches Institut für Wirtschaftsforschung, *Vierteljahrshefte zur Wirtschaftsforschung*, Erstes Heft, 1966.

a relatively more important service sector, especially if transport and storage are excluded, partly because consumer preferences shift in favour of autonomous services (e.g. tourist travel and entertainment) as income rises, and partly because of greater opportunities for the economies of scale of specialization through the development of ancillary services, e.g. management consultancy. In view of both the gains of specialization and the greater external economies (benefits not charged in price) generally obtained from these ancillary functions, this structural change will tend to increase total net value added rather more than it otherwise would increase, despite the fact that labour productivity (output per man-hour) will tend to be less in these services than in the more capital-intensive manufacturing industries.

Other comparisons

Despite the lower relative burden of defence expenditure, comparison with Canada suggests similar conclusions; and it may be noted that in all three countries the rate of growth of employment in services has been considerably higher than in secondary industry (in the United States, about three times as high).

Comparison with either Sweden or West Germany, however, tends to suggest quite different optimum structures. But Sweden's extensive forest resources and Germany's relatively low defence expenditure are special features which reduce the element of paradox (which is further reduced when comparison is made between them). In any case, the most important comparison is with the United States.

The input-output table of the Blue Book which shows the inter-industry flows of the production account also indicates the net contribution which the different sectors make to the balance of payments. Even though this table takes no account of external economies, it seems clear that manufacturing makes a much bigger contribution to the balance

of payments (in terms of exports minus imports per £100 of output) than the service sector. In favouring the manufacturing sector against services, the selective employment tax, therefore, broadly discriminates in favour of import substitution and exports while at the same time lessening the pressure of internal demand on the nation's limited resources and also tending to improve the utilization of labour.

While domestic product measures, so far as this is possible, the value of production within the country, this is not quite the same as the national product (which measures the value of production by the country's residents and the assets owned by them). Part of the product arising from economic activity in the United Kingdom is due to foreign capital and enterprise. This is, however, more than offset by profits, dividends, royalties, rents and interest payments, etc., earned by United Kingdom residents on assets owned by them abroad. National product, therefore, equals domestic product plus this net property income from abroad.

Income

Production generates incomes. These incomes are of two main types: factor incomes and transfer incomes. Factor incomes are those paid to the factors of production; labour, enterprise and the ownership of physical resources. Added together, these factor incomes – wages, salaries and related benefits, profits and rents – equal the gross national product. The deduction of capital consumption (depreciation) gives national income.

Transfer incomes are derived from these factor incomes. They are simply the interest and dividends paid to individuals owning financial assets (stocks and shares) plus payments in the form of pensions, family allowances, etc., which are not related to current participation in the process of production. Taxation is a means of transferring income. Its effect on incentives is unknown.

Savings

While wages, salaries, profits and rents are incomes paid to participants in the production process, interest and dividends are payments made to induce the supply of personal savings (personal after-tax income not expended on consumption) which, together with retained profits and taxation, make investment in new and improved productive resources possible. Unfortunately the statistics available on personal savings are poor, having a large residual item.

Traditionally, economic theory has suggested that the supply of personal saving is determined by four factors: income, wealth, interest rates and social preferences. Empirical evidence indicates that it is almost impossible to over-emphasize the predominant importance of an individual's level of income in determining his level of saving. This is, of course, a factor mitigating the trend to the equalization of net incomes through tax-fed transfer payments.

The level of wealth, on the other hand, appears to be inversely correlated with an individual's level of saving.³ This may be a consequence of the lessened needs to save at high wealth levels – needs deriving from the desire to accumulate enough money for a major purchase, e.g. of a

house or car, at some time in the future, or to provide income during an anticipated period of reduced or nil earnings such as retirement, or to make adequate provision for one's family. When such needs have been taken care of, the incentive to save further is generally much reduced though, in a very few cases, it may be fed by the desire to wield economic power. Since inequality of wealth in Britain is much greater than inequality of incomes, this tentative relationship between wealth and savings has greater implications for fiscal policy than might at first appear.

Although interest rates alter the composition of savings, the correlation between interest rates and the level of saving appears to be negligible.⁴ This may be because higher interest rates reduce the level of savings needed to provide a pre-determined future capital sum or annual income and any net increase in the propensity to save engendered by higher interest rates is offset by their depressive effect on aggregate demand. The results of recent work concerning the economic influence of interest rates suggest, moreover, that rates of change in the money supply, institutional arrangements and non-interest terms of credit, as well as the extent and liquidity of financial claims, are of greater importance in determining the level of savings.

The diversity of saving rates encountered in various countries around the world is impressive and cannot be explained solely in terms of differences in income, wealth and financial conditions. There is, therefore, a residual factor which can be explained not only by reference to differences in national temperament and character but must also largely depend on the general expectation of stability and growth in the economy.

Expenditure

Income generates expenditure and expenditure generates production. In equating, by definition, national income, expenditure and product, the British system of national accounting (unlike some others) emphasizes this aggregate relationship.

National expenditure, so defined, has two components: consumption and investment.

Consumption provides current satisfaction. In addition to the domestic consumption of goods and services, it includes international transfer payments (grants, donations and gifts) since these provide a present satisfaction, moral or political, to the donors irrespective of whether their recipients use them to satisfy current needs or to increase their investment.

Investment renews and increases the capital resources available to the nation for use in providing future income. Investment may be in human resources – health, knowledge and skill – or in physical assets such as buildings, roads, vehicles, plant, machinery and other equipment, and stocks of materials, components and finished goods. Or it may be in financial assets such as debentures and shares. Within the nation, financial assets equal financial liabilities and they

³ Frank Wildgen, *National Saving at Potential Output to 1970*, Economic Council of Canada, 1966.

⁴ Irwin Friend, 'Determinants of the Volume and Composition of Saving with Special Reference to the Influence of Monetary Policy', *Impacts of Monetary Policy*, Commission on Money and Credit, Prentice-Hall, 1963; or, as Keynes put it; 'Interest today rewards no genuine sacrifice' (*General Theory of Employment, Interest and Money*, page 375). See also David Laidler, 'The Rate of Interest and the Demand for Money – Some Empirical Evidence', *The Journal of Political Economy*, December 1966.

are therefore ignored in computing total investment. Clearly, however, the net acquisition of financial assets whose corresponding liabilities are located abroad is an addition to the nation's wealth or capital.

The accounting conventions applied in the British system, although according to international usage and avoiding certain difficulties of calculation, unfortunately obscure the simplicity of this definition of national expenditure and, at the same time, result in a division of expenditure which is less useful for the purpose of growth analysis.

Items of expenditure

The items of expenditure which appear in the national accounts are;

- consumers' expenditure;
- public authorities' current expenditure on goods and services;
- gross domestic fixed capital formation;
- value of physical increase in stocks and work in progress;
- exports and property income from abroad less imports and property income paid abroad; and
- taxes on expenditure less subsidies.

The total of these items is the same as the total expenditure on consumption and investment but the only items of investment expenditure which are recognizable are gross domestic fixed capital formation and the value of the physical increase in stocks and work in progress.

Gross domestic fixed capital formation is usefully broken down into investment in vehicles, ships and aircraft; plant and machinery; dwellings; and other new buildings and works, etc. This classification means, however, that a great part of the expenditure on maintaining and improving health, knowledge and skill is included in either consumers' expenditure or public authorities' current expenditure on goods and services. This ignores the fact that health, knowledge and skill are productive assets which are even more essential than such recognized items of producer's capital as plant and machinery. Recent studies have suggested that the rate of return on investment in education and research is at least as high as the rate of return on investment in fixed capital.⁵ It has also been argued that it is impossible to calculate the growth of output due to growth of the fixed capital stock separately from that due to technical progress.⁶

Incremental capital-output ratios

A further conclusion which may be drawn relates to the international comparison of 'incremental capital-output ratios' (ICORs) obtained by dividing the share of fixed capital formation in national product by the rate of growth of national product (or of national product per person). These comparisons are frequently made, with the United Kingdom coming at or near the bottom of the growth league tables. But since growth is not likely to vary proportionately with capital formation, dividing one by the other serves no useful analytic purpose. As a basis for

classifying countries in terms of the efficiency or productivity of their investment, ICORs are merely a source of confusion, while they are not much use for estimating investment requirements if they are not invariant to the rate of growth itself.⁷

One reason why ICORs are a source of confusion in classifying countries in terms of the efficiency or productivity of their investment is that they are generally expressed in gross terms, i.e. they take no account of differences in the total capital stock and the amount which needs to be expended merely to maintain it. Adjustments to allow for this have sometimes been made but their precision is highly doubtful.

A further reason why ICORs are a source of confusion is that the investment ratios used are almost invariably based directly on national prices and we are not entitled to assume that prices of investment goods stand in the same relation to prices of consumer goods in all countries. Adjusted results, giving 'real' investment ratios, have been published but are far from being completely reliable.⁸

Composition of investments

Even if accurate international comparisons of net capital formation were made, differences in the composition of investment mean that some assets last longer than others and these assets probably show smaller returns over the relatively short period for which reliable comparative statistics are available. One may contrast port construction or hydro-electric power schemes with machine tools, aircraft and road vehicles. Again, investment in directly-productive capital (investment in private industry for example) will tend to have a shorter pay-back period than investment in social overhead capital such as roads and schools. Further, directly-productive capital has a directly measurable return. Social overhead capital has not – though, in the absence of firm figures, one may assume that its net present value or discounted worth (in terms of economic welfare if not in cash) is the same.

The efficiency of investment may be expressed in terms of its social product. This has three components;

- (a) the direct effect, measured by the net value added in the process of production;
- (b) the substitution effect, measured by the loss of production elsewhere in the economy due to the transfer of resources from existing uses;
- (c) the complementary effect of external economies (benefits not charged in price).

These effects are determined by the state of demand and by technological, managerial and labour efficiency, economies of scale and related structural change. In view of the importance of these parameters, it seems that the rate of growth is not strongly influenced by the volume of fixed capital formation.⁹ In other words, growth is not fast because such investment is high; investment is high because the opportunities for growth are good.

⁵ T. W. Schultz, *The Economic Value of Education*, Columbia University Press, 1963; E. F. Denison, *The Sources of Economic Growth in the United States and the Alternatives Before Us*, New York, 1962.

⁶ Nicholas Kaldor, 'Capital Accumulation and Economic Growth', *The Theory of Capital*, Macmillan, 1961.

⁷ T. P. Hill, 'Growth and Investment According to International Comparisons', *The Economic Journal*, June 1964.

⁸ A. Lamfalussy, *The United Kingdom and the Six*, Macmillan, 1963, page 66.

⁹ Odd Aukrust, 'Investment and Economic Growth', *Productivity Measurement Review*, No. 16, European Productivity Agency, page 49.

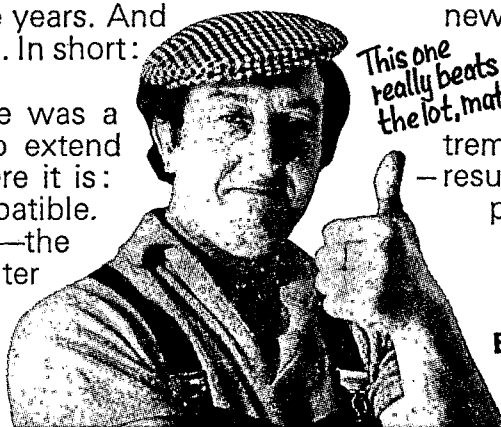
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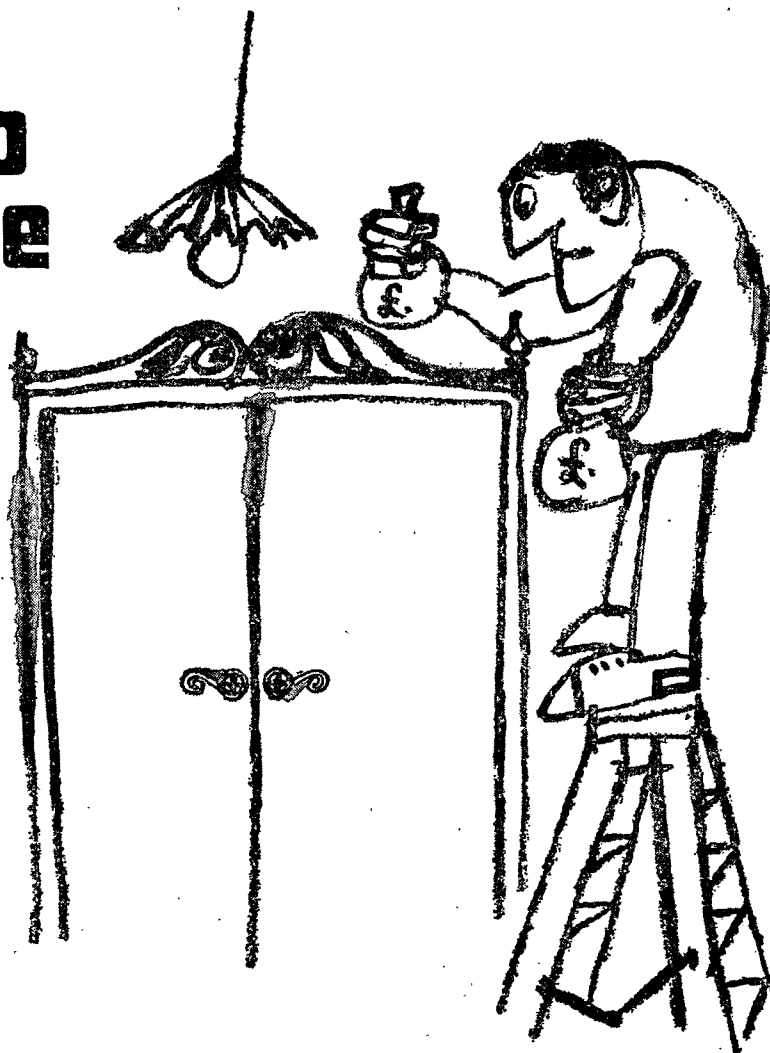


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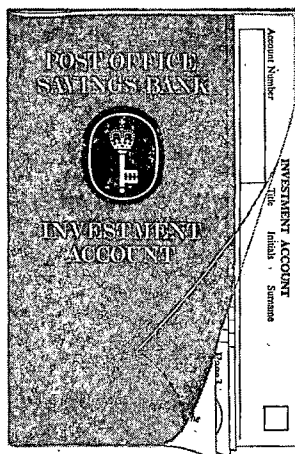


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Finance and Commerce

Wiles Group

WILES GROUP LTD is an industrial organization divided into three divisions – commercial vehicle, construction equipment and publishing. Expansion has been strong, particularly in the past two years, and this year the company has gone to town on its annual report entitled 'Wiles Group 1967'. Mr James Hanson, who is not exactly one for hiding lights under bushels, hopes that the shareholders will find the report 'more attractive, informative and helpful in understanding what your company does', and adds that it was designed and produced by the publishing division – 'we hope it will attract other companies to use this service. Shareholders and customers alike will no doubt benefit from the details showing where we do what, together with the names of key executives in the divisions'.

On glossy paper, with colour illustrations, the report opens with the 'family tree' showing the divisional branches from the Wiles Group trunk and the twigs of the individual divisional companies. Then comes Mr Hanson's review covering three pages. The managing director in the case of the commercial vehicle division and the chairman in the cases of the other two divisions each give two-page illustrated reports of their own divisional operations. The final two pages are given over to the names, addresses and telephone numbers of all the companies in the group.

Inset accounts

This information occupies fourteen pages, and inset between pages 6 and 7 are the accounts printed on pale yellow paper. In columnar form, the profit and loss account and the parent and group balance sheets have the requisite notes on facing pages. Then follow the supplementary notes which, it will be seen from the reprint, include the vital statistics in a group of this kind of turnover and profit by divisions.

Mr Hanson, in his report, directs shareholders' attention to these figures 'On page K'. The glossy part of the report has the pages numbered but the accounts section pages are numbered alphabetically, if the description may be permitted. Page 'M' of the accounts provides a six-year columnar graph showing the growth of pre-tax profits related to issued ordinary share capital.

The columns begin at 1963, which means that the sixth column is a projection of 1967–68 results, and assumes

higher profits on a maintained capital. To judge by recent performance, higher profits can well be anticipated but, with the group on the look-out for new acquisitions, the equity seems likely to be increased.

There are two points to be made concerning the figures for divisional results and for the statement of group profits.

Common and new profits

The first is that the divisional figures of turnover and profits should surely not be tucked away in supplementary notes, even though the chairman does direct attention to them. These are the figures that count and they should be prominently stated early in the report and also incorporated in the profit and loss account where profits by divisions could then be immediately seen.

The second point is that in an acquisitive company of the industrial holding type, an important point in assessing true profit growth is to show profits attributable to operations common to both years and then add the earnings new to the year immediately under review. Note 4 to the profit and loss account, for example, shows that 1966–67 profits include thirteen months' results of Scottish Land Development Ltd which is incorporated in the construction equipment division, and the difference that this addition has made to profits is indicated in the divisional turnover and profit analysis. Scottish Land's turnover and profit 'were the highest to date', according to Mr Niall D. Hodge, that company's chairman.

Overall group profits at £634,000 were £84,000 up on the forecast Mr Hanson made last March. In his report Mr Hanson calculates that the 16 per cent dividend is covered 2.2 times, that earnings per share were up from 1s 3d to 1s 9d and that net profit shows earnings of over 25 per cent on invested capital compared with a leading 23 per cent shown in a recently published table of the most profitable large British companies.

Right price and management

This information, interesting as it is, would be better collected, collated and presented in detail on the page now given over to the columnar graph of profit growth related to ordinary capital. For the current year, incidentally, a minimum dividend of 22½ per cent is forecast. In addition to continued growth from within existing divisions, further acquisitions are 'currently under active consideration' where the group has personal knowledge and experience in their fields of operation. 'But our policy', Mr Hanson says, 'is that the price and management must be right.'

Group operational policy is to organize each division with a parent board co-ordinating the activities of a number of separate and autonomous trading companies. This structure, Mr Hanson considers, encourages the development of young executive talent and has already proved its worth during recent trading conditions. This policy of limited 'free form management' grants a degree of independence to divisions, with individual freedom to expand.

Such a policy obviously puts a premium on 'right' management in any new additions to the group. There seems little doubt, though, that the existing organization is working well and that the publishing division, one of whose specialities is the production of programmes for major sporting events – Wimbledon tennis, Twickenham rugby, White City and Wembley show jumping – has certainly presented the annual report in an interesting form.

WILES GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1967

	1967	1966	NOTES
	£	£	
GROUP PROFIT BEFORE TAXATION	634,091	401,974	
TAXATION			
Corporation tax at 40%	257,938	153,360	
Transfer to/from taxation equalisation account .. 2	12,800	5,700	
PROFIT AFTER TAXATION	270,738	147,660	
Deduct Profits attributable to minority shareholders	363,353	254,314	
NET GROUP PROFIT	1,836	1,218	
Deduct Pre-acquisition profits of subsidiary company acquired during year	361,517	253,096	
APPROPRIATIONS			
Stock provision	74,432	29,080	
Dividends paid, gross	287,085	224,016	
On 7½ per cent cumulative redeemable preference shares	10,000	—	
On ordinary shares, an interim dividend of 6 per cent (1966—6 per cent)	277,085	224,016	
Dividend proposed, gross			
On ordinary shares, a final dividend of 10 per cent (1966—6½ per cent)	11,250	11,250	
Less tax retained	60,042	57,042	
UNAPPROPRIATED PROFITS	100,071	64,173	
BALANCE BROUGHT FORWARD from previous year	171,363	132,465	
Holding company	—	25,850	
Subsidiary companies	171,363	106,615	
BALANCE BROUGHT FORWARD	105,722	117,401	
Holding company	90,768	87,467	
Subsidiary companies	164,451	50,351	
BALANCE CARRIED FORWARD	255,219	137,818	
Holding company	95,374	90,768	
Subsidiary companies	265,567	164,451	
BALANCE BROUGHT FORWARD	£360,941	£255,219	

NOTES

1 GROUP PROFIT

After charging	1967	1966
Depreciation	634,091	401,974
Remuneration of Directors	278,669	192,439
Fees	2,050	2,262
Other emoluments	16,592	18,747
Compensation for loss of office as approved at 1966 Annual General Meeting	5,000	—
Auditors' remuneration (holding company)	630	600
	£302,941	£214,048

2 TAXATION EQUALISATION ACCOUNT

Balance at June 30, 1966	£	2,800
Add Balance in subsidiary company acquired during the year ..	69,000	
	71,800	
Transfer from Profit and Loss Account	12,800	
	£84,600	

3 NET GROUP PROFIT

Of the net Group profit of £361,517, the sum of £175,969 has been dealt with in the accounts of Wiles Group Limited.

4 PRE-ACQUISITION PROFITS

The Group profit includes for the first time the results of Scottish Land Development Limited. The accounting date of this company has been altered to coincide with that of Wiles Group Limited and the results cover a period of thirteen months to June 30, 1967.

The comparative Group profit included the results of Welbecson Limited and its subsidiaries for varying periods up to twenty-one months.

5 BALANCE BROUGHT FORWARD

The balance brought forward in subsidiary companies of £50,351 is after deducting the amount of £31,112 relating to a subsidiary company sold in 1966.

CONSOLIDATED BALANCE SHEET AT JUNE 30, 1967

CAPITAL EMPLOYED				1967	1966
	Note	£	£	£	£
ISSUED SHARE CAPITAL OF HOLDING COMPANY					
CAPITAL RESERVES	12	1,150,709		1,100,709	
Share premium account	6	675,714	610,714		
Other		268,249	1,400		
REVENUE RESERVE			943,963	612,114	
Profit and loss account			360,941	255,219	
TOTAL ISSUED CAPITAL AND RESERVES		2,455,613		1,968,042	
LONG TERM LOAN (secured)			38,667	—	
TAXATION EQUALISATION ACCOUNT	2	84,600		2,800	
		£2,578,880		£1,970,842	
EMPLOYMENT OF CAPITAL					
7					
FIXED ASSETS					
Land and buildings		845,946	734,257		
Plant, machinery and fittings		719,759	156,786		
Motor vehicles		100,720	107,750		
Hire sacks		74,683	114,355	1,113,148	
		1,741,108			
DEVELOPMENT LAND					
	8	20,723		—	
GOODWILL					
	9	715,463		789,493	
INVESTMENTS					
Quoted, at cost (market value £32,025)		29,656			
Unquoted, at cost		4,567	68		
		34,223		132,370	
SHARES IN SUBSIDIARY, not consolidated					
CURRENT ASSETS					
Stocks	10	1,482,802	903,747		
Debtors		1,939,625	1,119,528		
Cash		6,206	4,256		
		3,428,633		2,027,531	
		5,940,150		4,062,610	
DEDUCT					
CURRENT LIABILITIES					
Bank		1,146,489	932,960		
Creditors		1,672,496	843,211		
Taxation	11	427,263	237,943		
Proposed final dividend—gross		100,071	64,173		
		3,346,319		2,078,287	
		2,593,831		1,984,323	
DEDUCT					
MINORITY SHAREHOLDERS' INTEREST		14,951		13,481	
JAMES E. HANSON } Directors					
J. H. PATTISON }					
		£2,578,880		£1,970,842	

6 CAPITAL RESERVES				Group	Holding
		£	£	£	Company
(i) Share Premium Account					
Balance at June 30, 1966	..	..	..	610,714	610,714
Premium on shares issued during the year	..	..	..	65,000	65,000
				£675,714	£675,714
(ii) Other					
Balance at June 30, 1966	..	..	..	1,400	—
Surplus on sale of subsidiary	..	..	..	266,849	266,849
				£268,249	£268,849
				1967	1966
				£	£
7 FIXED ASSETS					
Land and buildings, at professional valuation in January 1964 or later, with subsequent additions at cost					
Freehold	..	..	..	733,446	656,664
On short leases	..	..	..	130,241	79,416
Deduct Depreciation	..	..	..	16,741	1,823
				113,500	77,593
				£845,946	£734,257
Plant, machinery and fittings, at cost	..	..	..	1,502,998	423,972
Deduct Depreciation	..	..	..	783,239	267,186
				£719,759	£156,786
Motor vehicles, at cost	..	..	..	154,233	188,522
Deduct Depreciation	..	..	..	53,513	80,772
				£100,720	£107,750
Hire sacks, at cost	..	..	..	297,896	379,572
Deduct Depreciation	..	..	..	223,213	265,217
				£74,683	£114,355
8 DEVELOPMENT LAND					
This represents development land at cost to date less the estimated cost of realisations.					
9 GOODWILL					
Arising on consolidation, being the excess cost of shares in subsidiaries over the book amount of the net assets of those companies at the dates of acquisition ..					
				£715,463	£789,493
10 STOCKS					
At the lower of cost and net realisable value	..	..	..	1,512,802	923,747
Deduct Provision	..	..	..	30,000	20,000
				£1,482,802	£903,747
11 TAXATION					
Taxation comprises the following					
Corporation tax payable on or before January 1, 1968				162,979	51,178
Corporation tax payable on or before January 1, 1969				260,935	119,170
Income tax and profits tax	..	..	..	3,349	67,595
				£427,263	£237,943

WILES GROUP LIMITED AND SUBSIDIARIES

SUPPLEMENTARY NOTES ON ACCOUNTS

A CAPITAL COMMITMENTS

- (i) Group contracts for capital expenditure outstanding at June 30, 1967 amounted to approximately £36,000. (1966—£46,000)
- (ii) Capital expenditure authorised but not contracted for amounted to £159,000.

B DEPRECIATION

No depreciation has been provided on the freehold properties. Depreciation on other fixed assets has been provided at rates appropriate to the class of asset, calculated in the majority of cases on original cost.

C TURNOVER AND PROFIT

The turnover and profit before taxation of the divisions in the group were as follows

Turnover	Profit before taxation
£	£
6,893,000 Commercial Vehicle (1966—£273,000)	279,096
3,875,000 Construction Equipment (13 months) (1966—£120,000 for 12 months)	318,669
1,002,000 Publishing (1966—£67,000 calculated for 12 months)	75,307
<u>£11,770,000</u>	<u>673,072</u>
	38,981
	<u>£634,091</u>
	Deduct Holding company's expenses less interest received

D INTEREST ON BORROWINGS

The charge for interest on the bank overdrafts and other indebtedness of the group for the period covered by the accounts amounted to £52,324. (1966—£76,562)

E EXPORT TURNOVER

The export turnover of the group for the year to June 30, 1967 was £779,000.

F EMPLOYEES AND AGGREGATE REMUNERATION

The average number of employees of the group in the year to June 30, 1967 was 1,540 and their aggregate remuneration for the year was £1,648,000.

G FINANCE ACT 1965

The market price of the Company's Shares on April 6th, 1965, was

Ordinary (adjusted)	14/1
Preference	20/-

The company is not a close company within the provisions of the Act.

SUPPLEMENTARY NOTES

H MOVEMENT OF FIXED ASSETS OF THE GROUP

	Valuation or Cost	Depreciation	Net Amount
	£	£	£
Totals June 30, 1966	1,728,286	615,138	1,113,148
Totals June 30, 1967	2,816,724	1,075,616	1,741,108
	<u>£1,088,438</u>	<u>£460,478</u>	<u>£627,960</u>
The increase is attributable to			
Assets purchased and depreciation charged for the year			
Land and buildings	41,186	2,277	..
Plant and machinery	32,696	28,321	..
Motor vehicles	81,152	38,241	..
Hire sacks	18,217	57,889	..
Assets of subsidiary acquired during the year	1,154,985	518,534	..
	<u>£1,328,236</u>	<u>£645,262</u>	
Deduct			
Assets sold and written off and depreciation thereon	24,194	18,792	..
Plant and machinery	115,711	66,099	..
Motor vehicles	99,893	99,893	..
Hire sacks	<u>£239,798</u>	<u>£184,784</u>	..
	£1,088,438	£460,478	£627,960

J SHAREHOLDINGS IN WILES GROUP LIMITED

(i) The shareholdings of the directors, their families, family trusts and companies controlled by them, on August 31, 1967, were as follows

	Ordinary	7½% Preference
	Beneficial	Other Beneficial
J. E. Hanson	1,586,958	20,532
J. F. Brignall	213,141	38,500
K. H. Osborne	41,732	..
J. H. Pattison	4,730	..
B. G. White	11,300	..

Mr V. G. White is a director and shareholder, and Mr B. G. White is a shareholder in the company, controlled by Mr J. E. Hanson, which owns 1,563,858 of the Ordinary Shares in Wiles Group Limited shown above.

(ii) So far as is known, there is no other shareholder whose interests in the issued share capital exceed 10 per cent.

CITY NOTES

THE stock-market is currently in argumentative mood and price movements are turning very much on which way the argument happens to go in the almost daily exchange of views. Renewed Middle East doubts, opening of the talks about talks on British Common Market entry, an economy showing signs of expansion in directions that the precarious balance of payments position cannot readily afford to carry, the current sharp rise in industrial costs, losses stemming from the dock strike, a higher Bank rate and continuing take-over battles present a confusing series of factors and influences affecting the market in different ways.

Last week's Bank rate rise was so far in the realm of the inevitable that the debate which followed it was entirely unnecessary. The main point about the increase is whether it will prove enough if United States interest rates rise still further. But with the change now made and strike settlements in the offing, closing of bear positions brought a quick improvement in prices after a near twenty-point fall in equity index terms. Technical recovery, however, is not necessarily lasting recovery and currently there seems a stronger view towards expecting a further shake out than there is towards expecting a strong further equity advance.

Under such conditions, day-to-day price fluctuations are likely to be misleading in terms of trend.

* * * *

AUDIENCES expect conjurers to bring rabbits out of hats but are always prepared to be impressed by the feat. In the same way a company threatened by a take-over bid is always expected to bring bigger profits out of the hat and the shareholding audience, although expectant, is invariably impressed. Associated Electrical Industries have performed in the time-honoured way in attempting to stave off General Electric's bid and have forecast doubled profits in three years. The promise of Lord Beeching as

chairman if General Electric's bid is defeated is in line with the conjurer's 'For my next trick . . .'. Certainly A.E.I.'s performance looks good enough for General Electric to have to pull out something dramatic of their own if they are to impress the audience even more favourably.

* * * *

IN another take-over sphere it is interesting to see that in fending off an unwanted bid from Phoenix Assurance, The Yorkshire Insurance board has prevailed upon General Accident to do something more than match Phoenix's terms. The impression at one time was that the Yorkshire would rely on the commercial fit of the General Accident merger as being the essential factor. But in take-over operations money has to count and a commercially desirable merger has to be financially attractive as well if shareholders are to be convinced that it is right.

* * * *

MOTOR Show time is always an occasion for motor industry optimism and this invariably rubs off on to the stock-market. But this year's motor industry facts in terms of production are hardly inspiring. In the first nine months of the year 1,149,503 cars and 282,777 commercial vehicles were produced, 10 and 17 per cent respectively fewer than in the first nine months of 1966. Production in September was more seriously reduced by industrial disputes this year than last. The number of cars produced last month was 6 per cent down on September last year and commercial vehicle production was 16 per cent down on a weekly average basis. The industry has hopes of moving out of this position but labour troubles both inside and outside the industry - one hitting production and the other deliveries and, potentially, orders - present the industry with a continuing problem.

RATES AND PRICES

Closing prices, Tuesday, October 24th, 1967

Tax Reserve Certificates: Companies 3½% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate

Feb. 27, 1964 ..	..	5%	Jan. 26, 1967 ..	..	6½%
Nov. 23, 1964 ..	..	7%	Mar. 16, 1967 ..	..	6%
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%

Treasury Bills

Aug. 18 ..	£5	5s	10·85d%	Sept. 22 ..	£5	7s	4·65d%
Aug. 25 ..	£5	5s	9·96d%	Sept. 29 ..	£5	9s	5·98d%
Sept. 1 ..	£5	5s	9·56d%	Oct. 6 ..	£5	9s	6·65d%
Sept. 8 ..	£5	5s	9·40d%	Oct. 13 ..	£5	9s	6·39d%
Sept. 15 ..	£5	5s	9·26d%	Oct. 20 ..	£5	14s	6·92d%

Money Rates

Day to day ..	..	4½-5½%	Bank Bills	2 months ..	..	5½-5½%
7 days ..	..	4½-5½%	3 months ..	..	..	5½-5½%
Fine Trade Bills	..	..	4 months ..	..	..	5½-5½%
3 months ..	..	7-7½%	6 months ..	..	..	5½-6%
4 months ..	..	7-7½%				
6 months ..	..	7½-8%				

Foreign Exchanges

New York ..	..	2·78½	Frankfurt ..	..	11·14½
Montreal ..	..	2·98½	Milan ..	..	1732½
Amsterdam ..	..	10·00½	Oslo ..	..	19·90½
Brussels ..	..	138·11½	Paris ..	..	13·64½
Copenhagen ..	..	19·31½	Zürich ..	..	12·08½

Gilt-edged

Consols 4% ..	..	58½	Funding 6% 1993 ..	..	88½
Consols 2½% ..	..	36½	Savings 3% 60-70 ..	..	90½
Conversion 3½% ..	..	50½	Savings 3% 65-75 ..	..	76½
Conversion 5% 1971	..	94½	Treasury 6½% 1976	..	99½
Conversion 5½% 1974	..	93½	Treasury 3½% 77-80	..	75½
Conversion 6% 1972	..	97½	Treasury 3½% 79-81	..	72½
Funding 3½% 99-04	..	56½	Treasury 5% 86-89	..	78½
Funding 4% 60-90	..	95½	Treasury 5½% 08-12	..	80½
Funding 5½% 78-80	..	86½	Treasury 2½% ..	..	36½
Funding 5½% 82-84	..	87½	Victory 4% ..	..	96½
Funding 5½% 87-91	..	85½	War Loan 3½% ..	..	51½

Seventeenth National Taxation Conference

Successful Meeting at Harrogate

THE Seventeenth National Taxation Conference organized by our contemporary *Taxation*, opened in the Royal Hall, Harrogate, on Friday of last week and continued until last Monday afternoon. There was an attendance of over eight hundred, and members of the accountancy and legal professions and representatives from industry and commerce once again found the papers and question periods of considerable practical value and interest, particularly in respect of recent new legislation.

The conference, which was under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*, included a number of enjoyable social occasions and a special programme for the ladies, together with a golf competition for the *Taxation* Challenge Cup which was won by Mr R. G. Wilkinson, F.A.C.C.A., of Belfast.

CHAIRMAN'S OPENING ADDRESS

IN the course of his opening address, Mr Percy F. Hughes said:

We have had two previous conferences in Harrogate and both have been most enjoyable and instructive and I feel sure that this will not be an exception.

To our chairmen and speakers who have so willingly agreed to give of their time and experience, I can only say how much this co-operation is appreciated. I am sure that we will all learn something from what you have to say to us during the sessions which are ahead, but obviously the conference would not be of any use unless we had the response from you all, ladies and gentlemen, and in many, many cases this is an annual response.

No business and no conference can be static; it must progress if it is to be capable of long survival. So it is true with a newspaper, but perhaps despite the fact that we must continue to look ahead, you will forgive me having a few memories. The first issue of *Taxation*, founded by Ronald Staples, saw the light of day on October 1st, 1927, and I am proud to be able to say that I have been with it for rather more than thirty of those forty years. The net receipts from certain direct taxes make interesting reading in these various years. The yield of income tax and supertax as it was in 1927-28 amounted to £314 million and that of estate duty to nearly £69 million. Ten years later, in 1937-38, the figures had not changed very much, being a total of £355 million for income tax and surtax and £78 million for estate duty. But what a contrast there is with the figures for 1965-66 where the yield of income tax and surtax amounted to £3,885 million and estate duty to £292 million, and in addition there was a profits tax yield of £435 million.

These figures speak for themselves, and as it was said in 1937 that we could not maintain a standard rate of income tax in the region of 5s in the £ for more than a brief period

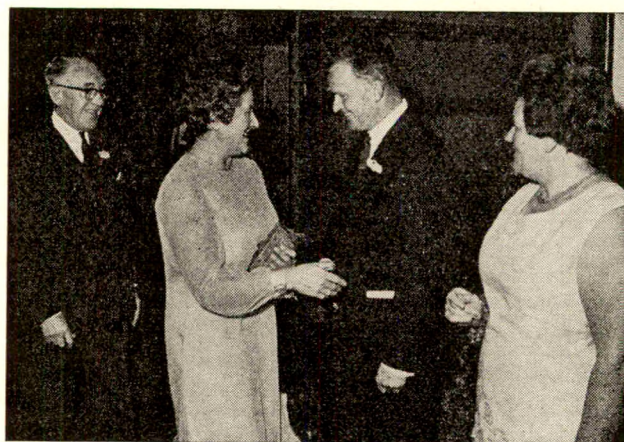
without this having a very serious effect on industry, I wonder how it is that throughout the working lives of most of us, industry has been able to survive with a continuous level of direct taxation of about twice that rate.

Capital gains tax

But this brings me to the present. We are getting more used to capital gains tax although so far the yield has been small. The tax came into operation from April 6th, 1965, but is chargeable on the disposal of assets after that time even though they may have been acquired before that date. Although the gain to be charged is restricted to that which is computed to have arisen in the period of ownership from April 6th, 1965, no account is taken of inflation. Although the consideration for the disposal of the asset is measured in the currency at the date of disposal, the cost of acquisition is measured in the currency of the date of acquisition, even though the real gain, which is the gain which should be the subject of taxation, is much less in real values.

If we are at least to maintain our level of fixed assets, I feel that much more study is needed of this problem, in order to see whether a formula can be worked out which will ensure that some allowance is made for the falling value of money.

But the provisions of the Finance Act 1965 were intended to give the taxpayer a choice, in the case of assets other than securities quoted on the Stock Exchange and property with development value, of adopting either the time apportionment method of computing the gain to be attributed to the period of ownership falling after April 6th, 1965, or to



Mr and Mrs W. Sholto Olleson are greeted by Mr and Mrs Percy F. Hughes at the reception and cocktail party on Friday.

use for the purpose of computing the gain, the market value of the asset on April 6th, 1965. Although paragraph 25 of Schedule 6 to the Finance Act 1965 gives this right of election to the taxpayer, he cannot revoke the election when once it has been made. This would not matter if he could be sure of the figure of valuation which would enter into the calculation of the gain, being the value to be placed on the asset on April 6th, 1965. Unfortunately, however, the Revenue decline to discuss the valuation unless and until the irrevocable election has in fact been made by the taxpayer under paragraph 25.

The taxpayer does not, therefore, have a free choice because, although he knows how the time apportionment method will work out, he does not know how these figures will compare with those which will arise from the adoption of a valuation on April 6th, 1965, as the result of a paragraph 25 election. The Revenue appear to be troubled about the possibility of there being an exceptional amount of unnecessary work laid upon their Valuation Department if the taxpayer has the right to revoke an election under paragraph 25, but I do not believe that frivolous elections would be made and would, therefore, plead that the taxpayer should have the free choice which, I believe, Parliament intended him to have.

Legislation by reference

We know that our tax legislation is difficult to understand and after all it is a complex subject, but I think that we are still entitled to ask why it should be necessary for there to be so much legislation by reference. The Finance Act 1967 may perhaps be the last word on the subject but I would describe it as quite the most impossible piece of legislation in this context. Almost every section requires the reader to refer to other legislation before he can hope to appreciate what the legislation he is studying is about. It must be possible to find a more satisfactory answer to this problem. I suppose there are occasions when a lady requires a new handbag and goes to the shop in the expectation of buying one which matches with a suit which she already possesses; but are there not more occasions when she buys a new suit and acquires a new handbag and new shoes, all at the same time? I admit that I have no hope of being able to persuade the Parliamentary draftsman to cast aside the old and start afresh in this way when he drafts the Finance Act of 1968.

The Betterment Levy

At the first business session, Mr Edward F. George, LL.B., gave an address on 'The Betterment Levy - its effect on corporation tax and capital gains tax'. Mr W. Sholto Olleson, T.D., F.A.C.C.A., was in the chair.

Mr George said the levy could not be understood at all except in the background of the planning legislation, under which, as a general principle, land may not be 'developed' without planning permission. Development had two prongs, physical changes and changes in use. From this sprang the concept of 'existing use' which has been seized upon as the basis for the levy. Under planning legislation an owner could gradually change his existing use and if he got away with it for four years then the planning authority could do nothing. Under the new betterment levy legislation the owner must serve notice on the Land Commission before he changes the existing use, and if he fails to give notice he commits an offence.

Turning from planning legislation, Mr George reviewed the present highly complex situation concerning taxation of landowners, depending on whether they were dealers or not, and how long they held the land. He dealt with section 33 and Schedule 14 of the Finance Act, 1967, which affect the division between capital gains tax and betterment levy. He said the key to splitting consideration between current use value and development value for the future was to be found in paragraph 9 of Schedule 5 to the Land Commission Act 1967.

The death of the owner of land is deemed to be a disposal as far as capital gains tax is concerned. If it gives rise to capital gains tax, then provision is made for relief on a subsequent chargeable event. The death also attracts liability to estate duty on the land. Normally the beneficiary taking the freehold land must bear the burden of the estate duty applicable to it; estate duty on the leasehold land is borne out of the residuary estate. When the personal representative or the beneficiary comes to sell the land he may be faced with a heavy liability for levy. Mr George gave an arithmetical example showing how heavy this burden could be.

He then went on to expound the provisions for relief in sections 69-71 and Schedule 7 to the Land Commission Act 1967, the Estate Duty Allowance Regulations 1967, and paragraph 2 of Schedule 15 to the Finance Act 1967. The relief was subject to a quite arbitrary rule that the chargeable act or event must have occurred within six years after the death, and the relief even then operated once only. Nor was the relief automatic, the person claiming it had to serve notice on the Land Commission before the levy was assessed.

Mr George concluded with some observations about Case C and Case E of the levy.

Corporation Tax - Close Companies and Shortfall

On Saturday afternoon, at the first session under the chairmanship of Mr W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A., F.C.I.S., a paper was read by Mr J. S. Heaton, F.C.A., on 'Corporation tax - close companies and shortfall'. He prefaced his remarks with a review of company and individual taxation and the somewhat anomalous former position of company dividends. The 1965 principles, he said, confirmed the entity of the company as a taxpayer liable to corporation tax, but treat it as an agent for its members in relation to dividends and other distributions. It is not obliged to deduct Schedule F tax, but it must account for that tax on the grossed-up amount of the distribution. It followed that there was still necessity for policing the retention of profits, somewhat on the lines of the old surtax direction provisions.

Mr Heaton then went on to discuss in detail the provisions in sections 77-78 of the Finance Act 1965, for the making of standard rate assessments on the company in respect of shortfalls in distributions and for the apportionment of those shortfalls among individual shareholders and other participators. He examined the extended meaning of 'distributions' in relation to close companies, stressing that interest on borrowed money can be a distribution in several different circumstances, viz.: (1) when it is paid to a director-participator; (2) to an 'associate' of a director-participator; (3) to a director who is an associate of a participator, and (4) to an associate of a director who is himself an associate of a participator.

The speaker then went on manfully to tackle in detail the

difficult provisions for determining a close company's 'required standard' for a particular period. He emphasized, that the 60 per cent laid down for trading companies does not lay down a standard by which distributions are to be judged. This 60 per cent maximum is a relieving provision which, of course, deprives the Inland Revenue of its former threats to impose a direction of 100 per cent of the income if agreement could not be reached on a reasonable standard.

Another important change which Mr Heaton emphasized, and which is against the taxpayer, is the fact that for shortfall purposes there is no difference in principle between investment and other companies, so that whereas section 258 (1) (4) of the Income Tax Act 1952 formerly was confined to investment companies, it now applies in general to all close companies, even if trading. It negatives re-tentions dictated by amounts due for borrowed money or redeemable capital, other than money lent by bankers to the company in the ordinary course of the bankers' business. What then, asked Mr Heaton, is the position of a building society mortgage?

The speaker reviewed the practical implications of the fact that negotiations about shortfall on the official side are now conducted by local inspectors instead of the specialists at Wimbledon. He was able to contribute his own personal experience on this topic and said that inspectors, unfamiliar with the language that had been developed on surtax direction negotiations, and perhaps with a view to achieving uniformity in a decentralized administration, were tending to seek arithmetical justification on the lines of a cash budget for contentions formerly discussed more generally on the basis of mutual experience and instinct.

Mr Heaton pointed out that any such cash projection should take account of estimated trading results, likely changes in movements of stock and debtors, capital expenditure and investment grants. In particular one should bring in not only the corporation tax on the previous year's profits but also on current profits since the concept of a reserve for future tax was no longer valid. The appropriate time for judging the reasonableness of a distribution was the actual time when the directors were arriving at their recommendation of the rate of dividend and that was the time at which to consider the cash position, not the balance sheet date.

The speaker reviewed the complicated calculations necessary for computing the shortfall itself and pointed out that where a company has different sources of income, certain outgoings have to be apportioned among them. He went on to deal with surplus franked investment income and carry-forward of shortfall. As regards applying for clearance, now that the administration was through local inspectors one tended to obtain clearance on submitting the accounts for agreement in the normal way. Mr Heaton rounded off his observations on shortfall with a review of the special provisions for companies ceasing business and then he wound up with a brief review of surtax apportionment.

The Finance Act 1967

The first session on Monday morning was devoted to an address on the Finance Act 1967, by Mr Eric C. Meade, F.C.A., with Mr Peter H. Dobson, J.P., F.C.A., in the chair.

Mr Meade said that the Finance Act 1967 was kind to authors but unkind to hobby farmers. He described the new relief for the former and the new terrors for the



Mr James S. Heaton, F.C.A., member of Council of The Institute of Chartered Accountants in England and Wales, addressing the conference.

latter. Next he dealt with the new relief provisions for groups of companies against corporation tax, together with the relief for consortia. The further tightening of the legislation against close companies then occupied his attention.

Mr Meade also dealt with the new provisions concerning the holding of voting shares by members of the 'public', and finally he dealt with the complicated rules which now obtain for dividing a land-seller's liability between capital gains tax and betterment levy.

Taxation - Its Effect on Incentive

The second paper on Saturday was given by Mr A. G. Davies, executive director of The Rio Tinto-Zinc Corporation and President of the United Kingdom Branch of the International Fiscal Association. The session was under the chairmanship of Mr E. Birnie Reid, O.B.E., T.D., D.L., C.A.

Mr Davies, who spoke on 'Taxation - its effect on incentive', said that there were two continuing complaints by members of the Government when they held forth about tax burdens, or what they considered to be the lack of them. It was alleged that most people in Britain believed in the myth that they were over-taxed. It was also alleged that people thought too much of the marginal rates, when they should be thinking of the average rate of tax.

However, said Mr Davies, what those who were disposed to defend the present personal tax structure forgot was that the top rate of personal tax was without equal in the world and this was nothing to be proud about. They were also disposed to forget that indirect taxes never arouse the outraged feelings that direct taxes do. When experts pointed to the fact that certain governments, such as that of France, take a higher percentage of gross national product than does the State in Britain, they overlooked the simple fact that the French executive or businessman paid substantially less in income taxes than most countries levy, even though the T.V.A. is a formidable and successful collector of indirect taxes.



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There was a built-in feature of Britain's graduated or progressive personal taxation, said Mr Davies, which made it inevitable that in an inflationary age, the taxes payable went up each year in real terms even when the tax rates remain fixed. People were pushed each year into higher tax brackets without any increase in real income. As a result, even those who did not wish to improve their economic lot had to press for higher wages or salaries in order to remain at the same level of living.

Among the positive incentives Mr Davies suggested were the abolition of surtax and the imposition of gradual stages of an integrated income up to, say, 10s in the £; the abolition of the distinction between earned income and saved income, and a reduction of capital gains tax to more realistic levels.

'We must move from the stagnant society into a more mobile society where individual enterprise is encouraged not deterred, and where the state removes its hands from the pockets of the people,' Mr Davies declared.

Capital Gains - Valuation of Assets

For the final session Mr T. D. Lorimer, F.C.A., took the chair and Mr Kenneth Exley, F.C.A., gave an address on 'Capital gains - valuation of assets'. He began with a review of section 44 of the Finance Act 1965, which defines 'market value', and then touched on paragraph 22 (3) of Schedule 6 to the same Act which modifies this for quoted shares on April 6th, 1965. He went on to deal with disposals not at arm's length and deemed disposals, where the asset-owner is deemed to sell the asset at its market value.

Referring to the option in certain cases to claim to be treated as acquiring the asset on April 6th, 1965, at its then market value, Mr Exley stressed that one had only two years after the disposal in which to exercise it, that such exercise was irrevocable once made, and that in the case of a part disposal, there was no option on subsequent disposals out of the same asset; those subsequent disposals had to be treated in the same way as the first one. He added,

however, that in the case of a holding of unquoted shares, each disposal of some of the shares was treated by the Inland Revenue as a separate disposal of a separate asset, so that the option arose anew on each disposal. He went on to explain the position which arises where there is a reorganization of capital.

He pointed out, *inter alia*, that where an unquoted company has had a reorganization before April 6th, 1965, this can completely exclude the time-apportionment basis of computing the chargeable capital gain, although the reorganization may have been trivial and long ago. He mentioned an interesting case he had met in practice: a private company holding extensive estates which produced comparatively little income. For family reasons it had to be wound up after April 6th, 1965, giving a break-up value of £140 an ordinary share. A substantial minority holder had held his ordinary shares ever since 1930 at which date they had been worth little more than par. There was a substantial chargeable gain even on time-apportionment principles. However, the company also had preference shares in relation to which, in 1935, the fixed dividend had been increased and voting rights conferred. This was a reorganization as far as capital gains tax was concerned, so that the preference share holdings thereafter constituted new holdings. What of the ordinary shares? If it could be said that these were affected by the reorganization, then these also were 'new holdings' and the time-apportionment basis was excluded, throwing the unfortunate minority holder on to the valuation as at April 6th, 1965. On the ordinary market value basis his holding could be worth only very little in view of the low rate of dividend, say £5 or £6 a share. Compared with £140 per share on break-up, it would produce a very much greater taxable capital gain. Mr Exley commented that it was unfortunate that the legislation should be so drawn that an event which happened some thirty years prior to the imposition of the tax should produce such an unfortunate tax repercussion.

On the question of capital distributions, Mr Exley mentioned the effect of paragraph 24 (7) of Schedule 6 which requires that where a valuation as at some time



Mr Percy F. Hughes, Editor of *Taxation*, addressing the opening session of the conference. With him on the platform are (left to right): Mr E. F. George, LL.B., Mr Sholto Olleson, T.D., F.A.C.C.A., Immediate Past President, The Association of Certified and Corporate Accountants, Mr H. P. Kennett, Conference Secretary, and the Mayor of Harrogate, Councillor Miss Gwen A. Stepney, J.P.

before April 6th, 1965, is called for, the time-apportionment basis of calculation has to be made on the footing that the shares were bought at that time at their then market value. This had a double effect. One was to restrict the time-apportionment period (i.e. the denominator of the fraction) and the other was to introduce a new acquisition price, with results which could be either advantageous or disadvantageous. Here again there was the anomaly of something which happened long before April 6th, 1965, affecting the liability to capital gains tax.

The speaker dealt with share options given to directors and employees and the effect of section 25 of the Finance Act 1966. He wound up with some observations on the interaction of capital gains tax and betterment levy, following the passing of the Land Commission Act 1967, and the Finance Act 1967. He summarized this by saying that capital gains tax was based on the increase in current

use value and levy applied to the difference between sale price and eleven-tenths of current use value.

Mock interview

At a mock interview on 'Capital gains tax computation' held on Saturday morning, delegates were issued with notes of two cases to help them follow the interview between Mr Percy F. Hughes, representing H.M. Inspector of Taxes, and Mr K. R. Tingley, F.A.C.C.A., representing the taxpayer. One case concerned an individual and the other a company for which winding-up proceedings has recently been commenced.

The calculations of charitable gains and allowed losses together with other relevant matters were negotiated item by item.

Following the mock interview, delegates were able to put questions.

Leicester Chartered Accountants' Dinner

THE annual dinner of The Leicester-shire and Northamptonshire Society of Chartered Accountants was held on October 19th at the Grand Hotel, Leicester, with Mr R. G. Wilkes, T.D., D.L., F.C.A., President of the Society, in the chair.

The Lord Mayor of Leicester, Alderman Sir Mark Henig, who proposed the toast of 'The Institute of Chartered Accountants in England and Wales', said that he was in no doubt about the great importance of the work of the professions, particularly the accountancy profession, in business life.

Training

Speaking of the training of new entrants to the profession, the Lord Mayor said he was unaware of how far the Institute had progressed in this direction but he believed that there were plans for most professional bodies to look more and more to the future training of young entrants. This training, he believed, would be carried out in the best possible traditions.

The Lord Mayor went on to ask whether there was a case for the combining of the professions of the accountant and the lawyer. He added that as a businessman he sometimes wondered whether to consult a lawyer or an accountant: the dividing line

between the two appeared 'extremely tenuous'.

Responding to the toast, Mr W. E. Parker, C.B.E., F.C.A., President of the Institute, assured the Lord Mayor that the training of young entrants was indeed one of the main pre-occupations of the profession and of the Council of the Institute and the district societies at the present time. The Institute fostered its own training programme and training colleges and technical colleges throughout the country were taking an increasingly important role – and rightly so.

Commenting that the standing of the Institute and its professional status lay in the hands of members, Mr Parker observed that there was one matter for regret in that some members regarded the Institute as a separate establishment 'made in London'. And now to add insult to injury it had been suggested that 'this separate establishment "was building" vast new premises' in a most expensive part of London! He declared that the truth of the matter was that the Institute was its members.

Collaboration

He followed by repeating the aims of the Institute itself and said its real strength needed to be exercised collectively. There had to be full collaboration between the district society

committees and members of the Council, and members as individuals as well. In his view one of the most important matters was to promote closer collaboration between members.

Proposing the toast of 'The Guests', Mr J. H. Golcher, F.C.A., said they were entertaining many leading figures in public and business life. They were particularly pleased to welcome the Lord-Lieutenant of Leicestershire, Colonel R. A. St G. Martin, O.B.E., J.P., who was attending the function for the first time, and also the Lord Mayor and the Lord Bishop of Leicester.

Tribute

After welcoming a number of other distinguished guests, Mr Golcher paid a tribute to Mr M. A. Chamberlain, A.C.A., the Hon. Dinner Secretary, who had assured the success of the occasion.

The Lord Bishop of Leicester, Dr R. R. Williams, in response, caused laughter when he said that if a businessman did not know if he wanted to see a lawyer or an accountant, he could always see a parson who would say a prayer for him or hear a confession.

The Lord Bishop spoke of the debt of gratitude which the Church owed accountants who often voluntarily lent their services to help the Church.

Internal Auditors' Conference

Eighth Annual Event at North Berwick

THE eighth West European Regional Conference of The Institute of Internal Auditors was held at the Marine Hotel, North Berwick, from October 11th to 13th. Sponsored by the Scottish Chapter of the Institute, the opening session of the conference was presided over by Mr R. H. Pitchford, Regional Director. With him on the platform were Mr J. G. Othick, Regional Vice-President, and Mr Ian A. Gordon, President of the Scottish Chapter.

Mr Pitchford welcomed the delegates, many of whom were accompanied by their ladies. Mr Othick then briefly addressed the assembly on the conference theme – 'Increase your worth'. Mr Gordon also welcomed the conference to Scotland and referred to greetings and messages of goodwill received from Mr O. Ruffin Crow, Jun., the Institute's International President, and Mr Archie McGhee, Managing Director of the Institute, in New York.

The management view of internal audit

The first business session of the conference, under the chairmanship of Mr Pitchford, was addressed by Mr R. W. Parker, C.B.E., C.A., Divisional Chairman, National Coal Board in Scotland.

Mr Parker said that speaking as the chairman of a large organization, the basic value of internal audit was in the

sense of security it brought, though of course it was possible to add to this value – to this worth – very substantially through the aids that internal audit could give to management in other ways.

An essential prerequisite to increasing worth in giving aid to management was good relations – an atmosphere of mutual respect between internal auditors and the people whose work they were checking. A second essential, both as regards general management as well as the internal auditor himself, was a good system of follow-up to ensure that action was taken on internal audit reports and suggestions, and in reasonable time.

Mr Parker instanced three particular fields in which, in his experience, the internal audit function was of particular value: (i) in the attention given to stocks, stores and equipment, where security, quantity, and quality control was of first importance to management; (ii) as a training ground for men likely to become senior staff in other departments – this was obviously suitable in the finance field, but he had always thought that six months in internal audit would be of great benefit to the young engineer or marketeer being groomed for higher management; (iii) for special assignments or remits, where the opportunities for aid to management were endless. Nor should special remits always be promoted by management – no one was



At the Institute of Internal Auditors' Regional Conference banquet. Left to right: Mr H. J. Hintze, Deputy Chief Internal Auditor, Unilever Ltd; Mr R. S. Wotherspoon, Town Clerk of North Berwick; Mr R. H. Pitchford, A.A.C.C.A., Regional Director of the Institute; Mr J. O. Davies, F.C.A., Director-at-Large of the Institute; Mr R. W. Parker, C.B.E., C.A., Chairman, National Coal Board in Scotland; Mr N. H. Butterworth, J.P., Senior Bailie, Royal Burgh of North Berwick; Mr H. P. Smart, M.A., A.A.C.C.A., F.C.W.A., J.Dip.M.A., Secretary, India Tyres Ltd; Mr James Whitton, M.A., B.Com., C.A.; Mr J. G. Othick, European West Regional Vice-President; Mr Ian A. Gordon, C.A., President, Scottish Chapter of the Institute and Conference Organizer.

in a better position to suggest topics for special assignments than the internal auditor himself.

Profit-planning and the internal auditor

The second business session, held on Thursday morning with Mr F. Bullock, President of the Birmingham Chapter, in the chair, was addressed by Mr H. P. Smart, M.A., A.A.C.C.A., F.C.W.A., J.Dip.M.A., Secretary of India Tyres Ltd (Dunlop Rubber Co).

After outlining the structure of the Dunlop organization, Mr Smart went on to describe its profit-planning process centred in a 'three-year management plan' to which all levels of management contributed – it was not merely an 'accountant's exercise'. He then referred to the part played by internal audit which, in Dunlop, was described as 'Audit and accounting procedures'. As company operations became ever more complicated, the best-informed management will usually be the most successful. Therefore the validation of management information by the internal auditor was of first importance. This process of validation involved (a) checking the accuracy, relevance, timeliness and coverage of the information presented; (b) assessing the efficiency with which it was collected and processed, e.g. the cost of costing.

The internal auditor, with no executive responsibilities, does not participate directly in the management plan. However, unless the information on which executive management has to exercise its judgment is soundly based, the whole planning process becomes not only pointless but dangerous. Reassurance that the information base is sound comes largely from the normal continuing work of the internal auditor.

It has to be recognized that the continuing development of electronic data processing has brought much nearer the concept of integrated information systems and, therefore, since all information needs to be validated, the internal auditor must keep pace with these developments – he can no longer concentrate wholly on accounting procedures. And looking further ahead, although the implications have yet to be worked out, it seems likely that the internal auditor will need to become more involved in problems of organization and communications in general.

Internal audit in an international organization

On Thursday afternoon the third business session was presided over by Mr L. Fidgen, President of the London Chapter. The speaker was Mr H. J. Hintze, Deputy Chief Internal Auditor, Unilever Ltd. Prefacing his remarks with a short résumé of his own experience in auditing in many European countries since leaving his native Sweden, Mr Hintze went on to detail some of the problems with which management in an international organization has to contend. These difficulties may accrue from local customs giving rise to internal control risks – e.g. the use of currency rather than cheques and the resultant reluctance of small suppliers to accept cheques – capital expenditure decisions, allocation of head office overheads, repatriation of profits, the timeliness of financial reports and the selection of local managers and continuity of supervision.

Internal auditors can help in many of these difficulties and Mr Hintze then detailed the qualities, personality and attitude which he looks for in the selection of overseas auditors. As regards personality, the auditor should have temperamental and emotional stability. He should be a man of good judgement and be adaptable to changing situations

and different people. He should have an instinctive liking for other people, but have sufficient aloofness to impart a certain dignity to his position. As regards training, he should have a good accounting background and extensive experience in internal auditing. He should also be fairly fluent in the languages of the countries he is visiting.

Mr Hintze also referred to the organization of overseas audits and the alternative systems which might be employed – i.e. travelling auditors or resident audit departments – and useful 'extra' services which internal audit can provide, such as unbiased information on recent 'local' developments in the commercial and political fields; 'on-the-spot' experience for non-audit staff, and direct contact on behalf of other departments on matters which it has been impossible to clear up by correspondence.

Quoting from an earlier source, Mr Hintze concluded by saying that 'the difficulties of overseas audits are usually greater than those of domestic audits, but the avenues for constructive service are correspondingly greater'.

Relationship of external and internal auditors

At the Friday morning session which was chaired by Mr A. Taylor, President of the NW. England Chapter, the conference was addressed by Mr James Whitton, M.A., B.COM., C.A., senior partner in Messrs John M. Geoghegan & Co, Chartered Accountants, of Edinburgh.

Speaking of the relationship between the internal auditor and the external auditor, Mr Whitton stated that in his experience he had received much greater help from internal auditors than he thought he might have given. He agreed with previous speakers that internal audit was a function of management, but he thought that internal audit should be closely linked with O. & M. departments. It should, however, be clearly understood that while O. & M. alone, in association with top management, initiated systems and procedures, it was the function of internal auditors to check these procedures. The two departments had to work closely together and be fully critical of each other.

In Mr Whitton's view the ideal internal audit department was the inspection department of Scottish banks. Bank inspectors combined the functions of internal audit, management audit, the personnel department and, to a degree, external audit in the checking of securities. These inspectors reported confidentially on all matters to a very senior official and this pattern could, he thought, well be followed by commercial and industrial internal audit departments with a similar confidential access to the chief accountant or finance director.

So far as the external auditor was concerned, Mr Whitton said the ideal situation was where periodic reports by the internal auditor were supplied to the external auditor. He did not, however, favour a similar disclosure to the internal auditor of the external auditor's work programme or confidential reports to management. On the other hand, he was sure that top management were now realizing the importance of the internal auditor's function.

Referring to the Institute of Internal Auditors' Statement of Responsibility which at present made no reference to the external auditor, Mr Whitton suggested the inclusion of a paragraph on the following lines:

'The internal auditor recognizes that the external auditor is required to review all controls and procedures to enable him to certify that the balance sheet and profit and loss account are correct; he will therefore co-operate with the external auditor when so requested to ensure that their joint efforts realize the objectives defined above.'

Notes and Notices

PROFESSIONAL NOTICES

MESSRS DIXON, WILSON, TUBBS & GILLET and DIXON, WILSON & Co, Chartered Accountants, of London, announce that the following, all of whom have been associated with the firm for a number of years, became partners with effect from October 14th, 1967: Messrs W. E. JACQUES, M.C., F.C.A., DENNIS H. PARKER, F.C.A., R. J. RIMINGTON, F.C.A., JOHN H. GASTON, F.C.A., and S. MARIUS GRAY, A.C.A.

MESSRS FULLER, JENKS, WISE & Co, Chartered Accountants, and Messrs NICHOLSON, BEECROFT & Co, Chartered Accountants, announce that as from November 1st, 1967, they are merging their practices under the style of Messrs FULLER, JENKS, BEECROFT & Co. The partners of the new firm will comprise the partners of the two existing firms. The combined practice will be carried on from 55/61 Moor-gate, London EC2.

MESSRS GARDINER, HUNTER & Co, Chartered Accountants, of London and Lewes, announce that Mr R. G. PRICE, A.C.A., who has been a senior member of their staff for the past two years, was admitted into partnership on October 1st, 1967.

MESSRS JOSOLYNE, MILES & Co, Chartered Accountants, formerly of 28 King Street, London EC2, announce that their address is now 4 Throgmorton Avenue, London EC2. Telephone 01-606 4488.

MESSRS JOSOLYNE, MILES & CASSLETON ELLIOTT, Chartered Accountants, announce that the part of their practice formerly carried on at 28 King Street, London EC2, has been integrated with their other London office and that their address is now 4 Throgmorton Avenue, London EC2. Telephone 01-606 4488.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that they are to open an office at 10 Coates Crescent, Edinburgh 3, as from November 1st, 1967. Telephone 031-226 2651.

MESSRS RAWLINSON, GREAVES & MITCHELL, Chartered Accountants, of Netherwood Chambers, Bradford 1, announce that Mr J. W. GORDON MITCHELL, F.C.A., has retired from the partnership after thirty-seven years as a partner. The practice will be carried on under the same name and from the same address by the remaining partners.

MESSRS TOUCHE, ROSS, BAILEY & SMART announce that Mr A. G. TOUCHE retired from the partnership with effect from October 14th, 1967, in view of his appointment as a director of Westminster Bank Ltd on October 17th, 1967. Their associated firm, TOUCHE, ROSS & KEMP CHATTERIS, are joint auditors of the bank.

Appointments

Mr A. E. Idle, F.C.A., chief accountant of Agar Cross & Co Ltd, has been appointed secretary of the group.

Mr Alan F. Laing, C.A., secretary of McGill & Smith Ltd, has been appointed financial director of the company.

Mr W. G. McPhie, C.A., chief accountant of the Imperial Tobacco Co Ltd, has been appointed to the board.

Mr C. E. Owen, F.C.A., has been appointed secretary of Stone-Platt Industries Ltd.

Mr R. I. Penlington, A.C.A., has been appointed chief accountant of Vinyl Products Ltd and Vinatex Ltd.

Mr D. J. Rosenberg, F.C.A., has been appointed a director of John Holt & Co (Liverpool) Ltd.

Mr G. S. Stone, F.C.A., and Mr L. V. D. Tindale, C.A., have been appointed to the board of Industrial and Commercial Finance Corporation Ltd.

Mr H. Whitaker, F.C.A., A.I.M.T.A., has been appointed deputy chief financial officer of London Transport.

INVESTMENT GRANTS

The Board of Trade have announced that their investment grant offices will be ready from Wednesday next, November 1st, to receive applications for investment grants under the In-

dustrial Development Act 1966, in respect of expenditure incurred between January 1st, 1967, and March 31st, 1967. Payment on these applications will start as soon as possible after February 1st, 1968.

These will be the first claims eligible for the increased rates of 45 per cent in the development areas and 25 per cent elsewhere which the Government introduced last December to encourage additional investment during 1967 and 1968.

DOUBLE TAXATION RELIEF

Norway

The Protocol to the United Kingdom-Norway Double Taxation Convention has been published as the schedule to an Order in Council numbered S.I. 1967 No. 1488.

South Africa

The Protocol to the United Kingdom-South Africa Double Taxation Convention has been published as the schedule to an Order in Council numbered S.I. 1967 No. 1489.

South-west Africa

The arrangements extending to South-west Africa the provisions of the Protocol to the United Kingdom-South Africa Double Taxation Convention have been published as the schedule to an Order in Council numbered S.I. 1967 No. 1490.

STAMP DUTY ON BEARER INSTRUMENTS

The Board of Inland Revenue issued the following notice last week in relation to stamp duty on bearer instruments by usage:

'Consequent upon section 30 of the Finance Act 1967, bearer instruments by usage are no longer liable to stamp duty under the heading 'Bearer Instruments' in Schedule 1 to the Stamp Act 1891 if they are expressed in the currency of a territory outside the scheduled territories or, where not expressed in terms of any currency, if they represent shares of a company formed or established outside those territories.

'Where title to shares has been acquired by delivery of a bearer instrument by usage with the endorsed transfer signed in blank, the completion thereafter of the endorsed transfer will not render that transfer (or a stock power representing it) liable to stamp duty.'

**THE INSTITUTE OF COST AND
WORKS ACCOUNTANTS****President's Luncheon**

The President of the Institute, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP. M.A., gave a luncheon party on Tuesday, October 17th, at the Grand Hotel, Leicester. The guests were:

Mr F. W. Brooks, Joint Managing Director, A. A. Jones & Shipman Ltd; Mr D. H. Cloake, Assistant General Manager, Midland Dynamo Co Ltd; Dr A. P. C. Cumming, Director and Chief Executive, John Bull Rubber Co Ltd; Mr H. Flavell, Managing Director, Herbert Morris Ltd; Mr T. R. F. Noble, M.B.E., Vice-Chancellor, University of Leicester; Mr S. Perrin, Director, English Glass Co Ltd; Mr C. E. Power, a past-President of the Institute; Mr S. Radcliffe, Vice-Chairman, Wadkin Ltd; Mr J. C. Wegerif, Managing Director, The Bentley Engineering Group Ltd; Mr F. H. Wood, Chairman and Managing Director, Brush Electrical Engineering Co Ltd. Mr M. H. Walters, C.B.E., the Secretary of the Institute, was also present.

INSTITUTE OF TAXATION**President's Luncheon**

Mr George Whillans, F.I.B., F.T.I.I., President of the Institute of Taxation, gave a luncheon at the Junior Carlton Club, London, on Wednesday of last week. Among the guests were:

Mr D. S. Anderson, M.A., C.A., President, *The Institute of Chartered Accountants of Scotland*; Sir Leonard Barford, Chief Inspector of Taxes; Sir Paul Chambers, K.B.E., C.B., C.I.E.; Mr C. L. Dodd, President, *National Chamber of Trade*; Mr E. W. Eldridge, C.B., O.B.E., Public Trustee; Sir Alexander Johnston, K.B.E., G.C.B., Chairman, *Board of Inland Revenue*; Mr Harold Lever, M.P., *Financial Secretary to the Treasury*; Mr E. W. C. Lewis, M.B.E., *Controller of Estate Duty*; Mr H. P. Southall, F.C.A., F.C.W.A., Vice-President, *The Institute of Cost and Works Accountants*.

**THE ACCOUNTANTS' CHRISTIAN
FELLOWSHIP**

'A true and fair view' will be the subject of a brains trust amongst

lawyers and accountants at a meeting of the Accountants' Christian Fellowship to be held at 6.30 for 6.45 p.m. at the Waverley Hotel, Southampton Row, London WC1, on Friday, November 3rd. Before the meeting there will be a buffet supper (charge 12s 6d, students 5s).

Accountants and their friends are welcome to attend, whether or not they are members of the Fellowship.

**SOUTH-WEST ESSEX GROUP OF
CHARTERED ACCOUNTANTS**

'The Companies Act 1967' was admirably dealt with by Mr Gordon J. Howe, F.C.A., when he addressed some sixty members of the South-west Essex Group of Chartered Accountants at a meeting of the Group on October 2nd. The detailed discussion which followed indicated the interest of members and emphasized matters of contention contained in the new legislation.

The next meeting of the Group will take place on Wednesday, November 1st, at St Aubyns, 34 Eastern Road, Romford, Essex, at 6.15 p.m. for 6.45 p.m., when Mr L. S. Davis, O.B.E., Director, Board of Trade, Investment Grants Office, Southend-on-Sea, will give a talk on 'Further aspects of the Investment Grants Scheme'.

Any chartered accountant interested in attending the above meeting or in receiving details of the Group's activities is invited to communicate with the secretary, Mr D. E. Heady, F.C.A., at 187a South Street, Romford, Essex. Telephone Romford 44728.

**SOUTH EASTERN SOCIETY OF
CHARTERED ACCOUNTANTS****Students' Residential Course**

Nearly one hundred students attended the first part of the eighteenth students' residential course arranged by the South Eastern Society of Chartered Accountants held recently at the Royal Pavilion Brighton.

The course was introduced by Mr D. H. Tonkinson, F.C.A., President of

the Society. Mr Robert McNeil, F.C.A., a Past-President of the Institute, and Mr D. H. Tonkinson spoke at the course dinner and the Society also welcomed students' society officers and principals of articulated clerks to the dinner and other functions. The high quality of all the lectures and meetings, and the formal and informal discussion which followed them received the full approval of the students who found it very beneficial to be able to supplement their normal studies and professional work by expert personal tuition.

It is felt by the organizers that considerably more students will wish to attend future courses to be held if the educational and social success of this one can be maintained, and it is hoped that their attendance will again be facilitated as much as possible by the very willing co-operation given by their principals on these and previous occasions.

The second part of the course, for Intermediate students, will be held at the Royal Pavilion, Brighton, from December 4th to 8th. Students within the area of the South Eastern and Southern Societies of Chartered Accountants will receive, nearer the time, individual notifications regarding these courses. Other students wishing to attend should apply for details to the course secretary, Mr M. S. G. Dawes, A.C.A., A.A.I.A., 3 St Peters Place, Brighton, Sussex.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF
LONDON****Next Week's Meetings**

WEDNESDAY, NOVEMBER 1st, 6 p.m.

Speakers' course, a practical session in the Society's Common Room, 43 London Wall, EC2. All inquiries should be sent to Miss Anne Dent, c/o The Library.

THURSDAY, NOVEMBER 2nd, 6 p.m.

'The Taverners' monthly meeting in the Dive-Bar, The Green Man, Bucklersbury, EC4.

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The Institute of Chartered Accountants of Scotland

Autumn Diet of Examination, September 1967

PART IV

At Part IV of the Institute's examination held on September 5th, 6th and 7th, 1967, the under-noted 112 candidates passed, making a 68.3 per cent pass for the year. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

- Ahmed, N. (R. C. Kelman & Shirreffs), Aberdeen
 Armstrong, J. H. (Turner, Hutton & Lawson), Glasgow
 Arnott, I. Mac. (Cooper Brothers & Co), Glasgow
 Bain, I. C. (McKerrell Brown & Gray), Edinburgh
 Bell, G. (Robertson & Maxtone Graham), Edinburgh
 Bell, M. S. H. (Kerr, MacLeod & Macfarlane), Glasgow
 Bennett, J. D. S. (Robertson & Maxtone Graham), Edinburgh
 Biggart, R. L. (Thomson, Jackson, Gourlay & Taylor), Glasgow
 Bowald, A. M. (Hourston, Macfarlane & Co), Glasgow
 Brown, A. K. B. (Graham, Smart & Annan), Edinburgh
 Bryan, R. J. (Alexander Sloan & Co), Glasgow
 Burgess, F. B. (Festus Moffat & Co), Falkirk
 Burgoyne, E. L. (Charles Burrows & Co), Edinburgh
 Cameron, A. F. (Roderick MacLean & Co), Inverness
 Carruth, G. W. (John M. Taylor & Co), Glasgow
 Churchill, T. S. (Alexander Sloan & Co), Glasgow
 Clark, Anne M. (Thomson, Jackson, Gourlay & Taylor), Glasgow
 Clark, J. M. L. (J. Harley Hepburn & Co), Kirkcaldy
 Clark, N. B. (Chas Leigh Brown & Son), Glasgow
 Connell, D. (Thomas Smith & Sons), Glasgow
 Conway, K. D. (Welsh, Walker, Ritchie & Co), Greenock
 Coventry, W. G. (Henderson & Loggie), Dundee
 Cowan, G. A. (D. & A. Cuthbertson, Provan & Strong), Glasgow
 Curr, J. (Wilson, Stirling & Co), Glasgow
 Cuthbert, G. A. C. (A. G. Murray & Co), Edinburgh
 Davidson, J. N. W. (Wylie & Hutton), Edinburgh
 Deans, D. T. (Robertson & Maxtone Graham), Edinburgh
 Dempster, Edith C. E. (John E. Watson & Co), Glasgow
 Dickie, W. W. T. (Alexander Sloan & Co), Glasgow
 Dickson, B. R. McE. (Turner, Hutton & Lawson), Glasgow
 Dickson, H. H. (Mackay, Irons & Co), Dundee
 Donald, N. G. (Norman J. Bird & Co), Dundee
 Dow, G. M. (Charles Burrows & Co), Edinburgh
 D'Rozario, D. A. A. (Brown, Fleming & Murray), London
 Dunlop, A. J. (Alexander Sloan & Co), Glasgow
 Fleming, P. A. (Welsh, Walker, Ritchie & Co), Greenock
 Fotheringham, P. (W. P. & J. A. Scott), Stirling
 France, A. G. G. (Price Waterhouse & Co), London
 Gilmour, J. S. (Thomson, Jackson, Gourlay & Taylor), Glasgow
 Gough, S. A. (T. Hunter Thomson & Co), Edinburgh
 Greenlees, L. C. (Wylie & Bisset), Glasgow
 Hall, A. (Flockhart & Grant), Aberdeen
 Halliday, Gwen C. (Rawlinson & Hunter), London
 Hamdani, M. H. (McClelland, Moores & Co), London
 Hamilton, J. M. (Hardie, McFarlane, Jackson & Co), Glasgow
 Hastie, J. G. (John E. Watson & Co), Glasgow
 Heigham, D. J. (Thomson McLintock & Co), London
 Herbert, R. T. (Wardhaugh & McVean), Glasgow
 Hill, A. (Wilson, Stirling & Co), Glasgow
 Hill, H. J. (Wyllie Guild & McIntyre), Ayr
 Jamieson, A. M. (A. C. Philp & Co), Dunfermline
 Johnston, R. (Robertson & Maxtone Graham), Edinburgh
 Kerr, J. (McClelland, Moores & Co), Glasgow
 Kirkwood, W. T. (Turner, Hutton & Lawson), Glasgow
 Kydd, Margaret M. (McLay, McAlister & McGibbon), Glasgow
 Lang, A. S. (Craston Thomson & Allison), Glasgow
 Latif, M. (Bertram G. Samuels & Co), Glasgow
 Lawson, C. F. Y. (Whinney Murray & Co), London
 Lynas, M. (Thomson, Jackson, Gourlay & Taylor), Glasgow
 McCutcheon, J. W. (Thomson McLintock & Co), Glasgow
 Macdonald, R. A. S. (Graham, Smart & Annan), Edinburgh
 McDowall, J. (A. G. McBain & Co), Glasgow
 McKellar, R. A. (Thomson McLintock & Co), Glasgow
 McKenzie, W. A. (Grahams, Rintoul & Co), Glasgow
 McKeown, K. F. (Stevenson & Kyles), Glasgow
 McKie, J. D. (John C. Frame & Co), Inverness
 McKinney, D. C. (Stuart & Stuart), Dundee
 McNairn, E. A. R. (J. W. & R. N. Oswald), Edinburgh
 McNaught, D. A. (Nairn, Bowes & Craig), Glasgow
 McNish, T. (Hourston, Macfarlane & Co), Glasgow
 MacPhail, C. A. (Turner, Hutton & Lawson), Glasgow
 McRae, D. R. (McClelland, Moores & Co), Glasgow
 Marquis, A. B. (Graham, Smart & Annan), Edinburgh
 Marrian, I. F. Y. (Graham, Smart & Annan), Edinburgh
 Masson, G. M. (Thomson McLintock & Co), Glasgow
 Moncrieff, A. T. (Mann Judd Gordon & Co), Glasgow
 Murray, J. D. (Henderson & Loggie), Dundee
 Norbury, A. C. (J. W. & R. N. Oswald), Edinburgh
 Notman, J. M. (David Strathie & Co), Glasgow
 Pares, M. (McClelland, Moores & Co), London
 Paris, W. W. (Scott-Moncrieff, Thomson & Shiells), Edinburgh
 Pendreigh, L. C. (G. K. Johnston & Smillie), Edinburgh
 Provan, A. S. (McKerrell Brown & Gray), Edinburgh
 Ramsay, S. G. (McLaren & Watson), Edinburgh
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London

PART V

At Part V of the Institute's examination held on September 5th, 6th, 7th and 8th, 1967, the under-noted ninety-six candidates passed, making a 71.3 per cent pass for the year. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

Adair, J. (Craston Thomson & Allison),
Glasgow
Alvi, B. A. (Alex M. Shaw & Co), Glasgow
Anderson, D. S. (James Murray & Co), St
Andrews
Ballantyne, R. H. D. (Chiene & Tait),
Edinburgh
Barr, J. (Thomson, Jackson, Gourlay &
Taylor), Glasgow
Black, D. S. (Graham, Smart & Annan),
Edinburgh
Broadley, J. C. (David Strathie & Co), Glasgow
Brodie, I. C. (Brown, Campbell & Co),
Edinburgh
Brush, Felicity E. L. (Moody Stuart &
Robertson), Dundee
Burnet, A. L. (Graham, Smart & Annan),
Edinburgh
Cadenhead, K. C. (Finnie, Ross, Welch & Co),
Glasgow
Caird, N. C. S. (McClelland Moores & Co),
Glasgow
Cameron, A. T. (McKerrell Brown & Gray),
Edinburgh
Cameron, C. D. (Grahams, Rintoul & Co),
Glasgow
Cameron, J. R. (Wilson, Stirling & Co),
Glasgow
Campbell, I. MacL. (Finnie, Ross, Welch &
Co), Glasgow
Carmichael, J. A. (Williamson & Dunn),
Aberdeen
Clarke, J. (Jardine, Dunlop & Anderson),
Glasgow
Cockerham, W. J. (John M. Geoghegan & Co),
Edinburgh
Connell, A. M. (William Duncan & Co),
Glasgow
Cumming, A. S. (Hardie, Caldwell Ker &
Hardie), Glasgow
Davies, R. M. (Barstow & Millar), Edinburgh
Dickson, Ann V. (Anderson & Menzies),
Kirkcaldy
Dingwall, R. D. (Flockhart & Grant), Aberdeen
Dodson, G. H. (Martin Currie & Scott),
Edinburgh

Etheridge, P. G. (McClelland, Moores & Co),
London
Fisher, D. A. (Thomson McLintock & Co),
Glasgow
Flower, M. R. (Thomson McLintock & Co),
London
Fraser, D. D. (Robertson & Maxtone Graham),
Edinburgh
Gerrard, G. (Williamson & Dunn), Aberdeen
Gibson, Ellen W. (Jardine, Dunlop &
Anderson), Lanark
Gilbert, K. T. (F. D. Greenhill & Co), Glasgow
Gilchrist, A. J. G. (Haldane, Brown & Co),
Edinburgh
Giulianotti, J. S. M. A. (J. & R. Morison &
Co), Perth
Gray, I. S. (John M. Geoghegan & Co),
Edinburgh
Greaves, Judith A. (Moody Stuart &
Robertson), Dundee
Hamilton, W. F. F. (McLay, McAlister &
McGibbon), Glasgow
Hanif, M. (Fraser, Lawson & Laing), Glasgow
Herron, J. P. A. (Johnstone, Logie & Millar),
Dundee
Hogg, I. A. L. (Robertson & Maxtone
Graham), Edinburgh
Honeyman, S. W. (Wm Home Cook & Coy),
Edinburgh
Hunter, J. (Miller, McIntyre & Gellatly),
Perth
Hutton, B. W. (Graham, Smart & Annan),
Edinburgh
Ivory, J. (Chiene & Tait), Edinburgh
Jones, D. S. (Stewart Marcus), Edinburgh
Kennedy, P. N. B. (McClelland, Moores & Co),
London
Kitson, J. E. H. (French & Cowan), Glasgow
Lessels, Diana (Barstow & Millar), Edinburgh
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Stornoway
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Spence, P. J. (Kidston, Goff & Harvey),
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Correspondence Colleges

Foulks Lynch Ltd (14th, 28th)
Metropolitan College (14th)
Rapid Results College (28th)
School of Accountancy (weekly)

Credit Factors

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Shield Factors Ltd (21st)

Estate Duty Management

Hobbs Saville Ltd (28th)

Finance/Investment

Chesham Amalgamations & Investments Ltd (7th)
EDITH (7th)
I.C.F.C. (14th)
Industrial Mergers Ltd (21st)
Kleinwort, Benson Ltd (7th, 21st)
Neville Industrial Securities Ltd (14th)
The Southern Trust Ltd (weekly)
Technical Development Capital (28th)
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Giro

Giro Directorate (21st)

Insurance

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Noble Lowndes Life Brokerage Division Ltd (14th)
Norwich Union Insurance Group (14th)
Royal Exchange Group (14th)
J. W. Sleath & Co Ltd (7th, 21st)
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United Kingdom Provident Institution (7th)
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The Sunday Times (7th, 21st)

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The Institute of Taxation (21st)

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Butterworths (7th)
Chartered Institute of Secretaries (7th)
Gee & Co (Publishers) Ltd (weekly)
Hallam Press Ltd (21st)
HFL (Publishers) Ltd (28th)
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Solicitors' Law Stationery Society (14th, 21st)

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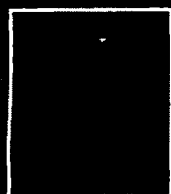
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Rush to Reform Lease Law

WHEN Parliament rose for the summer recess, the Leasehold Reform Bill had still to have a third reading in the House of Lords. When Parliament re-assembled last Monday week, the Bill was rushed through the Lords at quite remarkable speed, for the simple reason that any amendments had to be considered in the House of Commons the next day. The Opposition only received the amendments on the Monday evening and therefore had little time for considering them before the debate. This debate occupied the House from 4.30 p.m. to nearly 11.30 p.m. on Tuesday week, and the Bill received the Royal Assent before Parliament was prorogued on Friday. Had this not been so, the Bill would, of course, have lapsed.

The general provisions for leasehold enfranchisement contained in Part I of the Act do not come into force until a day to be appointed by the Minister. On the other hand, certain transitional provisions in Part I are now already in force. These concern the rights of a tenant whose lease has terminated at or after its term date, after December 8th, 1964. Such a tenant desiring to give notice to exercise his new rights under the Act must do so within three months after October 27th, 1967. Part II of the Act amends various other Acts and comes into force on November 27th. Perhaps the most important is the provision extending the Rent Acts to long tenancies.

A Lords amendment which failed to survive sought to exempt charities and landlords from the obligations created by the Act. The official argument for not exempting charities was that as the object of the Act was to enable certain categories of leaseholders to obtain the freehold, it would be wrong to penalize those whose landlords were charities. It availed nothing that an Opposition speaker pointed out that the Act nevertheless contained special exempting provisions in favour of landlords who were local authorities.

Another Lords amendment to fail was one substituting 50 years for 21 years in the definition of 'long tenancy' in section 3. In favour of the amendment it was stated that the whole thinking behind the Act was that where a building lease has been granted, on the usual terms, the lessee puts up a building at his own expense and pays rent for the land. On those terms there is some argument for saying that in equity at any rate the bricks and mortar really belong to the lessee, and the vast majority of building leases are granted for 99 years in order that the lessee may see some return for his outlay. It would be remarkable if a tenant were prepared

to erect an expensive building on terms that he was to lose it at the end of 21 years, yet the Act gives the holder of a mere 21-year lease much the same rights as the holder of a 99-year lease. The Lords decided that a fair compromise would be 50 years, but the Government insisted on retaining the 21 years.

In vain was it pointed out that in the Finance Act 1963 which taxes premiums on leases, the measure of

a long lease is one which lasts at least 50 years. It was also pointed out that in the past 25 years or so, many 21-year leases have been granted at a premium with a corresponding reduction in rent and that the lessees under these leases will be receiving a benefit under the Act exceeding their wildest dreams. The gist of the official argument in favour of 21 years is contained in one sentence – 'They have their views and we have ours'.

COMPANIES ACT 1967

Unlimited Companies – II

TABLE E in Schedule I to the Companies Act 1948 contains articles of association to accompany the memorandum of association. Regulation 1 states the number of members with which the company proposes to be registered, but provides that the directors may from time to time register an increase of members. Regulation 2 states the share capital of the company (in appropriate cases) and the way in which the capital is divided into shares. Regulation 3 provides that the company may by *special* resolution (a) increase the share capital; (b) consolidate its shares into shares of a larger amount; (c) subdivide its shares into shares of a smaller amount; (d) cancel any shares which have not been taken or agreed to be taken up, and (e) reduce its share capital in any way. It will generally be desirable to add as article 4 (where the company has a share capital) an article empowering a member to surrender his shares to the company.

Regulation 4 of Table E (which will then become article 5) provides that the regulations of Part I of Table A (relating to a public company), other than regulations 40 to 46 inclusive, are to be deemed to be incorporated with the articles and to apply to the company. If, however, the company is to be a private company the articles will, of course, embody Part II of Table A. Regulations 40 to 43, inclusive, of Table A relate to the conversion of shares into stock, and regulations 44 to 46, inclusive, to the alteration of capital. One difference between regulation 3 of Table E and regulations 44 to 46 of Table A is that a special resolution is necessary under regulation 3 in the case of (a)

to (e) of the regulation, whereas under regulations 44 to 46 of Table A a special resolution is only necessary in connection with a reduction of share capital, a capital redemption reserve fund and a share premium account.

If the company is not to have different classes of shares, regulations 2, 4, 5 and 62 of Table A should be excluded from the articles, and so should regulation 3 which authorizes a company, subject to section 58 of the Act, to issue redeemable preference shares. Section 58, however, only empowers a company limited by shares, if so authorized by its articles, to issue redeemable preference shares; hence there is no point in retaining regulation 3. If the articles adopt Part II of Table A, regulation 2 (d) of that Part must be excluded since section 83 of the Act only authorizes a company limited by shares, if so authorized by its articles, to issue share warrants to bearer.

Regulation 62 of Table A provides that 'subject to any rights or restrictions for the time being attached to any class or classes of shares', on a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder. If regulation 62 is to be excluded, the regulation should be reinstated as a special article but without the quoted words.

As stated in the previous article, the 1948 Act contains no provision for the re-registration of a limited company as unlimited, but this omission is made good by section 43 of the Companies Act 1967, subsection (1) of which provides that a company which, at the coming into operation of the section (October 27th, 1967) or thereafter is registered as limited, otherwise than in pursuance of section 44 of the 1967 Act (which will be referred to later), may be re-registered under the 1948 Act as unlimited subject to compliance with certain stated requirements.

The procedure starts with an 'application' in the form prescribed by regulations made by the Board of Trade by statutory instrument, which is signed by a director or by the secretary of the company and lodged

with the registrar of companies in England or Scotland, as the case may be, together with the documents set out in subsection (3).

If the unlimited company is to have a share capital, the application must set out such alterations in the company's memorandum of association as are requisite to bring it, both in substance and in form, into conformity with the requirements of the 1948 Act as to the substance and form of an unlimited company having a share capital under that Act. If the unlimited company is not to have a share capital, the application must set out such alterations in the company's memorandum as are requisite in the circumstances.

Again, if the unlimited company is to have a share capital and articles of association have been registered in the case of the existing company, the application must also set out such alterations in and additions to the articles as are requisite to bring them, both in substance and in form, into conformity with the requirements of the Act of 1948 as to the substance and form of the articles of an unlimited company having a share capital under that Act. If the unlimited company is not to have a share capital, the application must set out such alterations in and additions to the articles as are requisite. If, in the case of the existing limited company, articles of association have not been registered, the application must have annexed to it, and must request the registration of, printed articles bearing the same stamp as if they were contained in a deed.

If the unlimited company is to have a share capital, then the new articles must comply with the requirements of the 1948 Act as in the case of altered articles; but if the unlimited company is not to have a share capital, then the new articles are to be appropriate to the circumstances. By section 6 of the 1948 Act an unlimited company *must* register articles along with the memorandum of association; and as stated in the previous article, section 11 (d) of the 1948 Act provides that the memorandum and articles of an unlimited company must be in the form of Table E in Schedule I to the Act or as near to it as circumstances permit.

Four documents or sets of documents must accompany the application for re-registration as unlimited. The first is the 'prescribed form of assent' to the company's being registered as unlimited which must be subscribed by or on behalf of *all* the members of the company. This form, like the form of application for re-registration, is to be prescribed by the Board of Trade under regulations made by statutory instrument.

The second document is a statutory declaration made by the directors of the company that the persons by whom or on whose behalf the form of assent is subscribed constitute the whole membership of the company and, if any of the members have not sub-

scribed the form themselves, that the directors have taken all reasonable steps to satisfy themselves that each person who subscribed it on behalf of a member was lawfully empowered to do so, for example, by power of attorney. It is, however, specifically provided by subsection (7) of section 43 that a subscription to a form of assent by the legal personal representative of a deceased member of a company is to be deemed to be a subscription by him, and that the trustee in bankruptcy of a bankrupt is, to the exclusion of the bankrupt, to be deemed to be a member of the company. But this merely accords with the general law relating to bankrupts and deceased persons.

The third and fourth documents which must accompany the application are a printed copy of the memorandum incorporating the alterations set out in the application and, if articles have been registered, a printed copy of such articles incorporating the alterations in and additions to them set out in the application. As has previously been seen, if articles have not been registered in the case of the existing company, a printed copy of them must be annexed to the application.

The registrar of companies must retain the application and accompanying documents and, if articles of association are annexed to the application, must register them. He must also issue to the company a certificate of incorporation, whereupon the status of the company will be changed from limited to unlimited. The alterations in the memorandum of association set out in the application and, if articles of association have been previously registered, any alterations in and additions to the articles set out in the application, will then take effect as if duly made by resolution of the company, and the provisions of the 1948 Act will apply to the memorandum and articles as altered or added to.

A certificate of incorporation as an unlimited company will be conclusive evidence that the requirements of section 43 of the 1967 Act with respect to re-registration and to matters precedent and incidental to the re-registration have been complied with, and that the company was authorized to be re-registered under the 1948 Act and was duly so re-registered.

Where a company is re-registered as unlimited, a person who at the time when the application for re-registration was lodged was a past member of the company and did not again become a member will not, in the event of the company being wound up, be liable to contribute to the assets of the company more than he would be liable to contribute if the company had not been re-registered as unlimited.

Section 22 of the 1948 Act provides that notwithstanding anything in the memorandum or articles of a company, no member shall be bound by an

alteration made in the memorandum or articles after the date on which he became a member, if and so far as the alteration requires him to take or subscribe for more shares than the number held by him at the date on which the alteration is made, or in any way increases his liability as at that date to contribute to the share capital of, or otherwise pay money to, the company. But there is a proviso that the section shall not apply in any case where the member agrees in writing,

either before or after the alteration is made, to be bound by it. The requirement of section 43 of the 1967 Act that the application for the re-registration of a company as unlimited must be accompanied by the prescribed form of assent, subscribed by or on behalf of *all* the members of the company, is therefore wholly consistent with the provisions of section 22 of the 1948 Act.

(To be continued.)

Current Affairs

Firm Loses S.E.T. Claim

THE Minister of Labour, appealing from a decision of the Industrial Tribunal, has persuaded the Court that the reservations staff of an air transport company were engaged in activities for the purpose of administration and therefore their claim for refund of S.E.T. failed (*Minister of Labour v. B.K.S. Air Transport Ltd.*).

The company had an office at Hounslow and claimed a refund of selective employment tax under section 2 (1) of the Selective Employment Payments Act 1966 in respect of contributions for the Hounslow employees. Scheduled air services were qualifying activities and these were carried on by the company. However, to qualify for refund of tax the company had to show that more than half the employees at the establishment were not employed wholly or mainly in non-qualifying activities.

Non-qualifying activities means activities carried on for office purposes within the meaning of section 1 (2) of the Offices, Shops and Railway Premises Act 1963; 'office purposes' is defined as including, *inter alia*, 'purposes of administration'. There were 37 employees of the company at Hounslow, of whom it was agreed that 16 were employed in non-qualifying activities. Of the remaining 21, 12 were engaged on the reservations side who, the Court ruled, clearly devoted themselves to activities for the purposes of administration within the meaning of the legislation.

Revenue Criticized by Council on Tribunals

THE 1966 report of the Council on Tribunals (H.M.S.O. 4s 3d) recalls that the Tribunals and Inquiries Act 1966 made provision for consultation with the Council about rules of procedure for Inland Revenue tribunals. The draft capital gains tax regulations were submitted to the Council by the Inland Revenue in 1966 as a matter of courtesy, although under the Tribunals and Inquiries Act 1958, the Inland Revenue were under no obligation to do so, notwithstanding that the tribunals themselves had been placed under the Council's supervision by the Act. The reason for this was that section 8 of the 1958 Act applied only to rules made by a Minister or by a board presided over by a Minister. The 1966 Act corrected this drafting error.

The Capital Gains Tax Regulations 1967 (1967 S.I. No. 149) provide *inter alia*, for the procedure for the conduct of appeals relating to the tax. The report states that these regulations were difficult to comment on. The statutes contain scattered provisions about the conduct of tax appeals which the Finance Act 1965 makes applicable by reference; they are not repeated in the Regulations which accordingly are not a complete code. The Council considers that all the procedural regulations should appear in one document.

Inland Revenue tribunals, including the tribunal set up by the Finance Act 1960, are exempt from the general requirement to give reasons for their decisions. This was because the stated case procedure might be expected to supply the parties with the tribunal's reasons. However, the Council had notice of a case which raised doubt as to whether the stated case procedure was, in fact, effective as providing a means for ensuring that General Commissioners of Taxes gave adequate reasons. The stated case in the example did not measure up to the standard laid down by judicial authority.

Although this may have been an isolated lapse the Council were concerned to see that it should not happen again. Discussions with the Inland Revenue were still proceeding at the date of the report, but the Council had not reached a firm conclusion.

Companies Act - Sections in Force

SOME sections of the Companies Act 1967 came into force with effect from Friday, October 27th. The numbers of the sections and brief details of their implications are given below:

Sections 25, 30:

Penalization of dealing by directors and their families in certain options to buy or sell shares in, or debentures of, the company or associated companies.

Section 26:

Directors' service contracts to be open to inspection by company's members.

Sections 27, 28 and 31:

Obligation of directors to notify company of interests of themselves and their families in shares in, or debentures of, the company or associated companies:

Section 29:

Obligation of company to keep register showing directors' interests.

Section 32:

Powers of Board of Trade in investigation of share dealings.

Section 33:

Obligation of persons holding substantial individual interests in share capital carrying unrestricted voting rights to notify company of acquisition, changes in amount of and disposal of shares.

Section 34:

Obligation of company to keep register showing information furnished under section 33.

Sections 43, 45:

Ability of limited companies to be re-registered as unlimited.

Sections 44, 45:

Ability of unlimited companies to be re-registered as limited.

Section 48 and Schedule 3:

Revision of fees payable to the Registrar of Companies.

Added Value Tax

AS the result of the recommendations of the Neumark Commission, the member countries of the European Economic Community have agreed to harmonize their tax systems and further, as previously noted in these columns, that the French-style added value tax should be adopted throughout the Community.

An article in last week's *Board of Trade Journal* stated that Germany has now introduced a tax on value added, to come into force on January 1st, 1968. The new law provides for two types of tax – the added value tax, termed *Mehrwertsteuer*, and the import turnover tax, *Einfuhrumsatzsteuer*. The former is payable on the delivery of goods or on the rendering of services in Germany, while the import turnover tax is payable on the importation of goods into the customs area.

The basis of assessment of the latter tax is the value of the imported articles as determined in accordance with the relevant provision of the Federal Customs Act, plus customs duty and any other impost, plus the cost of transport to the first place of destination in

Germany. The basis on which the added value tax is assessed is the remuneration or consideration given by the recipient of the goods or the services. The rate of tax is 10 per cent.

The article stresses that a good deal of book-keeping, rendering of tax returns and similar paperwork will be generated by the new system, and it is therefore advisable that British concerns with interests in Germany should appoint a representative who is authorized to receive correspondence from the German Inland Revenue and to safeguard the interests of his British principal. While the German local agent will, in most cases no doubt, be a suitable person, the companies concerned should consider the appointment of a tax adviser – for example, notes the article, from those firms of English chartered accountants which have branch offices in Germany.

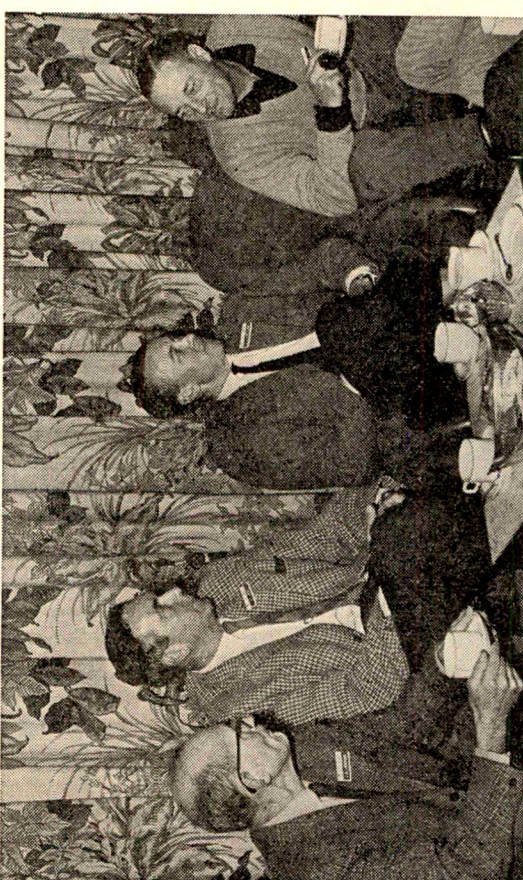
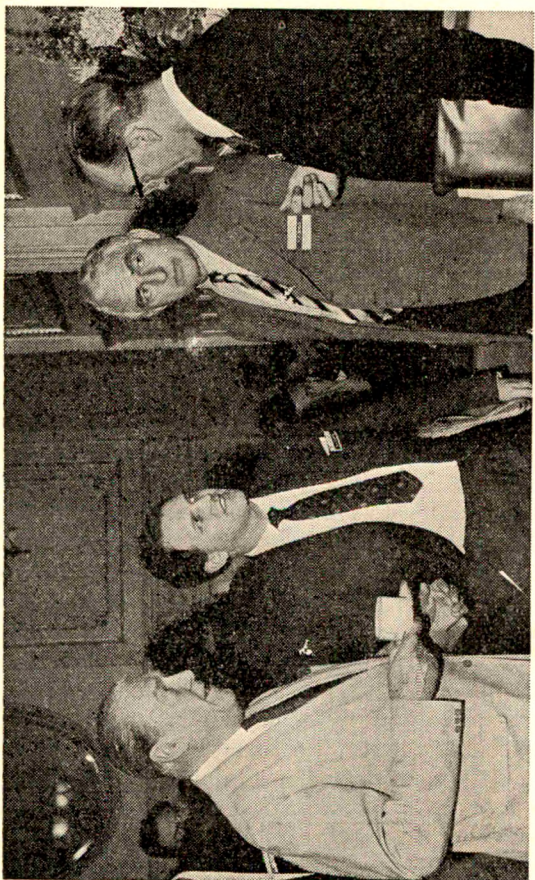
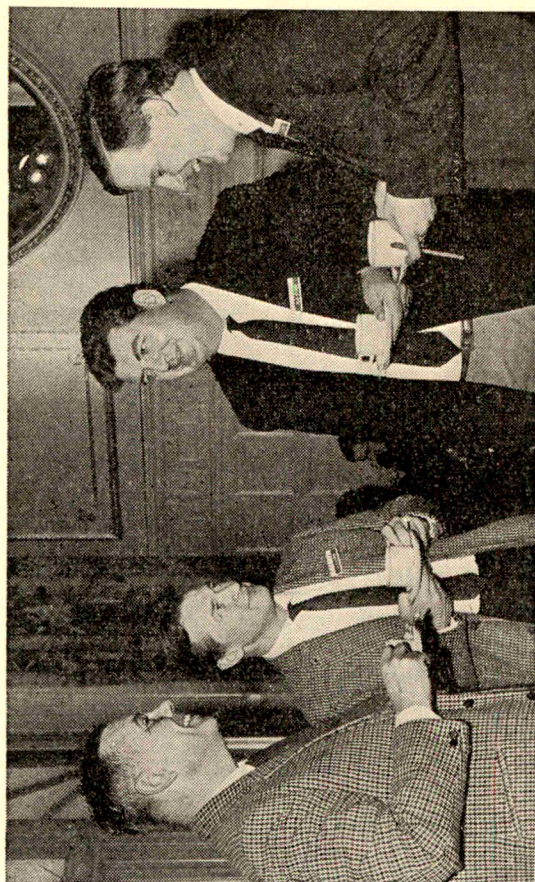
National Savings

THE annual report of the National Savings Committee for the financial year 1966–67 observes that 'in the climate of the severe deflationary measures the results for the movement for 1966–67 have, to some extent, been encouraging'. Gross receipts at £2,863 million were, in fact, £528 million higher than those reported in 1965–66. On the other hand, gross repayments were higher at £2,838 million. Overall, therefore, the net receipts of £26 million for the latter year, contrasted with £55 million in the previous year.

The report contains some interesting statistics of savings group membership. Overall, the membership in 1966–67 declined slightly from the previous year by 1.5 per cent, all but one region showing falls. Only the Eastern Region was 3.4 per cent higher, which corresponded with the percentage drop in membership in the Southern Region – the largest of the falls. Expressed as a percentage of the population, the groups in North Wales are largest at 18.9 per cent, and those in South Wales next, at 18.2 per cent. This compares with an overall average of 12.7 per cent for England and Wales. It is noteworthy that the lowest membership is to be found in the South-east of England.

The National Savings Movement is not the only means whereby savings may be accumulated. Life assurance in Britain goes from strength to strength. In 1966 new sums assured, ordinary and industrial combined, amounted to £6,490 million or £900 million higher than in the previous year and virtually double the figure for 1962. New yearly premiums reached the £200 million mark, compared with £185 million a year earlier. The number of new ordinary policies sold set a new record at over 1½ million.

The recent report of the Life Assurance Offices observes that continuing uncertainty about State pension prospects continued to act as a restraining influence on the growth of pension and life assurance schemes. Payments to industrial assurance policyholders rose sharply, by £23 million to £184 million, although the industrial assurance funds grew at



Two residential courses on electronic data processing appreciation were held at the Hotel Metropole, Brighton, last week by The Institute of Chartered Accountants in England and Wales. Among the subjects covered were business information processing; control and audit of the computer; management and the computer, and development of systems and equipment. In addition to the lectures on various aspects of these subjects, members took part in syndicate discussions — each syndicate comprising some ten members. Pictured above are some of the members meeting over tea between sessions. **Top left, left to right:** Mr Dudley W. Hooper, M.A., F.C.A., Technical Officer of the Institute and a speaker; Mr D. L. Clarke, A.C.A., of Belfast; Mr P. M. Bugle, Institute Courses Officer, and Mr S. J. Russell, F.C.A., one of the two Course Directors. **Top right, left to right:** Mr P. M. Dayton, F.C.A., of London; Mr A. J. Lloyd, A.C.A., of London; Mr G. D. Evans, A.C.C.A., of Bangkok, Thailand, and Mr H. T. Burnett, A.C.A., a member of the Institute secretariat and a speaker. **Bottom left, left to right:** Mr J. A. Thompson, F.C.C.S., of London; Mr A. T. Reed, F.C.A., of London; Mr R. J. Armitage, F.C.A., of London, and Mr F. W. English, F.C.A., one of the two Course Directors. **Bottom right, left to right:** Mr D. E. F. Simons, M.A., A.C.A., of Hounslow; Mr C. J. Walliker, A.C.A., of Southampton; Mr A. J. Ratter, B.A., of London, one of the speakers; Mr M. Barnes, F.C.A., of Yeovil, and Mr J. Laidler, A.C.A., A.C.W.A., of Newcastle upon Tyne.

rather lower rates than in the previous year. Benefits paid to policyholders by the principal offices of the largest life associations in Britain totalled £768 million last year, while the total potential liability for future benefits rose to £32,500 million in sums assured and £1,307 per annum in pensions and annuities.

Auditor-General defends Whitehall

ADDRESSING a luncheon meeting of members of the London and District Society of Chartered Accountants last week, Sir Bruce Fraser, K.C.B., who just over a year ago was appointed Comptroller and Auditor-General, made what might be said to qualify as the ideal speech for such an occasion. It was highly amusing as well as being frank and informative.

Sir Bruce said that the job of his office was rather different from that of commercial auditors – it had to be when it was considered that he had to scrutinize an amount of money running well into eleven figures with a staff of only between 500 and 600, including the humblest grades. He had, of course, to rely largely on the work of internal auditors in Government departments.

It was his duty to report to Parliament on the financial administration of Government departments. His reports were scrutinized by the Public Accounts Committee of the House which often questioned Permanent Secretaries on the basis of what he said. This system, said Sir Bruce, sometimes gave the impression that bureaucracy in Whitehall was totally inefficient and extravagant. But this was not so. His own reports, as well as those of the Public Accounts Committee, were often misunderstood, misrepresented and put out of perspective. The truth was, however – and he spoke as a Civil Servant of many years' experience, though not in his present job – that the standard of administration in Whitehall, and Government departments generally, not only in terms of honesty, accuracy, or even only of prudence, but also in terms of speed, zeal, energy and imaginative common sense, was very high indeed. This was not a popular view but it happened to be the truth.

Sick Pay Survey

CONSIDERING the cost of labour to the employer in these days of full employment, it is somewhat surprising that of a sample of 177 companies with sickness payment schemes, only fifteen were able to provide a break-down of sickness absenteeism and costs. According to a new study entitled *Sick Pay* from the Industrial Welfare Society (17s 6d net), within the private sector of the economy about 95 per cent of the 3½ million non-manual workers are covered by such schemes. In contrast, only about one-third of the 13½ million manual workers are so covered. Furthermore, benefits for the former group are often much larger and the qualifying conditions less severe.

This particular study is to be welcomed since it provides a comprehensive and clear exposition of the principles involved both in the setting up and operation of sick pay schemes. According to the data available to the authors, which in the light of the above comment are somewhat limited, the cost of such schemes represents between 1 and 4 per cent of the payroll.

The report is critical of the fact that many schemes currently discriminate against single and part-time women workers who may, in fact, be excluded from such schemes. The usual argument for this policy is that their sickness rates tend to be higher than those for men, as indeed they are – roughly twice as high. On the other hand, as the report observes, this is one of the facts that is used to justify the payment of women in many industries at considerably lower rates than men, although they may be doing the same work. In the circumstances it seems only reasonable, therefore, that they should enjoy the same benefits relative to their pay scales as do their male colleagues.

The report also rejects the widely-held view that part-time employees have worse absence and length of service record than have their full-time colleagues.

Cost Accountants' Regional Conference

THE President of The Institute of Cost and Works Accountants, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., opened a one-day conference on computers and company organization at Harrogate on October 21st, organized by the North and North-west Branches of the Institute. Two papers were presented, the first on 'The effects of the computer on organization', by Mr R. C. Barrington, A.C.A., F.C.W.A., a partner in Peat, Marwick, Mitchell & Co, and the second on 'Capital budgeting and control', by Mr C. A. Herring, B.Sc.(ECON.), F.C.W.A., J.DIP.M.A., financial director of British European Airways and a member of the Council of the Institute.

Observing that a growth rate of some 33 per cent per annum in systems and programming staff could cause a serious and costly drain on manpower resources, Mr Barrington stated that the number of computer staff currently employed was largely due to the fact that every company wanted its own system for routine operations which were common to all companies. 'Much of the time spent by systems staff, and slightly less by programmers is devoted to inventing the wheel over and over again', Mr Barrington declared.

Every company had payrolls to produce, he said, yet despite the package systems developed by the computer manufacturers, how many payrolls were processed to a common standard? He suggested that if systems were rearranged and innovated on a rational basis, leaving only essential variations to be tailor-made for individual organizations, the impact on the company and the national economy would be staggering. Reviewing future procedures, Mr Barrington emphasized the need for rationalization if full use was to be made of the new multi-access computer age. 'The

large mix of different jobs is inefficient in a conventional computer system, and would almost certainly cause paralysis in a multi-access environment', Mr Barrington said, and he expressed the hope that one of the tasks of the National Computing Centre would be to create just such a rationalization of systems on a nation-wide front.

Mr Herring, in his paper, stated that effective capital budgeting was all too rare in industry. Too often the difficulties were dodged and attention was

concentrated on the revenue expenditure budget. He said that the purpose of capital budgeting and longer term capital forecasting was, firstly, to establish available resources both now and in the future, secondly, to establish other possible sources of capital, thirdly, to test alternative ways in which resources could be used, and, fourthly, to establish a plan for the raising of capital and its use. He stated that more and closer attention must be given to capital budgeting with the aim of increasing the return on capital employed.

This is My Life

by An Industrious Accountant

THE new auditor entered briskly and announced that he'd like to check the debtors' control account and supporting material. The control, he presumed, was in accordance with the tot of the individual entries? Doubtless we had a bad debts list available, as well as a summary of our discounts allowable regulations? The credit controller, he imagined, could deal with any further queries?

His brisk dedication to his job has already caused some flurry among certain of our staff but the new auditor is invariably courteous and correct, so we give him every accommodation. All was at his service, I told him gravely. The credit controller had the account cards ready for checking – over two thousand of them, including the shirt factory's big customers. The punched cards and analyses, also, were ready for sorting; he had only to ask. (I didn't tell him, naturally, that we'd 'lost' the 'sundry discrepancies' card by writing off the balance.)

He wasn't interested in the account cards, he explained. Perhaps his assistant could take a hundred or so of them for examination as a random sample; primarily he wanted to inspect our control procedure – the flow of orders to sales dockets, of sales dockets to punched cards, of accounts rendered to each received; these would be the basic material. More important, he'd like to see where adjustments could be made for mistakes, how credits were authorized, daily totals reconciled, and so on.

In short, he saw his job as that of a systems analyst. That was the approach these days. The client, he told me graciously, might be safely left to cope with the details of cash transactions and to collect or write off debts as he wished. The auditor's interest was in the efficacy of the controls. Once an internal check existed to minimize errors and prevent fraud and to protect the assets, then he was satisfied.

What about the slow payers among our customers? I probed him. What about the occasional £10 dis-

crepancy in the control account and the chance of unauthorized discounts? With equal detachment he explained that our own staff no doubt had these problems well in hand. This was 1967 – not the 'dark ages' of the thirties. Routine individual balances, except for employees, were scarcely worth an audit attention.

So I told him about the first audit I had attended as an articled clerk, well over thirty years ago. It was a confectionery manufacturer supplying direct to retailers, with thousands of accounts. The audit programme had for decades laid down the checking of every balance from ledger to list; the senior auditor was of the breed that followed without question . . . three man-weeks was the time quoted for the debtor.

Ned and I, juniors on the job, rang all the changes possible on the soul-killing chore. We tried working separately. We tried Ned as caller at the ledger, and me on the list, and vice versa, and timed each system in minutes per hundred balances. We complained to our senior that the work was pointless; all accounts were paid monthly and there were no deviations from the norm.

Why couldn't we sit in with the ledger clerks and watch their system in operation? Why couldn't we test back to ex-factory deliveries and to quality control? The senior was adamant. Pressed harder, he told in hushed tones of the recent regrettable incident when an over-ambitious junior spent the afternoon in the Sweetheart Sweeties room exceeding his instructions with disastrous results. So Ned, being a realist, halved his time on the job by racing through his ledger, ticking regardless, and later ticking the lists un-compared. It was the break-through.

The auditor, obviously uncertain of the proper judgement to pronounce on this ancient illicit pioneering effort, said nothing. He was now reaping where we had sown, I assured him comfortingly. We had lit such a candle as would never be put out – to mix the metaphor – and thus freed the soaring satellite of the accounting profession of this decade from the dead hand that was sucking its life-blood.

He's been much more careful in his criticism of accountants of the past since this discussion and sometimes, indeed, has the air of a man who has stood upon a rake with stunning effect.

Protection for Shareholders – I

by D. D. RAE SMITH, M.C., B.A., F.C.A.

I. Introduction

THE opinions expressed in this paper are my personal ones; they do not necessarily reflect those of my partners or my firm.

2. The shareholders with whom this paper is concerned are those who can be described as the general public of shareholders. Excluded from its compass are those whose holding either gives the shareholder a controlling interest in a company or which, while not giving control, is of a size or a nature sufficient to secure for the shareholder direct representation on a company's board. There can also be excluded those who, in addition to being shareholders in a company, are also employed by it as full-time or part-time directors or senior managers. By reason either of the size or nature of their shareholdings, or of their functions as directors or managers, these people have available to them powers and opportunities to influence a company's policies and fortunes, and to protect their position as shareholders, which are not available to the general public of shareholders.

3. The outsider who owns a small shareholding in a private family company, and neither plays any part in its management nor is represented on its board, is a rare bird. Public unquoted companies with a widespread body of shareholders are also relatively rare. It will be apparent, therefore, that the general public of shareholders consists mainly of shareholders in public companies whose shares are quoted on a recognized Stock Exchange.

4. It is usually only when some dramatic or extraordinary event occurs that directors have to give much urgent attention to the position of shareholders. When a company falls with a spectacular crash, when a contentious take-over bid is made, when a capital reconstruction is proposed, or when there is some other happening whose impact on shareholders is likewise immediate, then they will be courted. But at other times, when the course of a company's life is undisturbed by such events, the position of shareholders will but rarely be the subject of anxious consideration by directors.

5. This is understandable. Shareholders are not normally given to concerted action but are mostly passive creatures, and are encouraged to be so. The power to manage a company is delegated to directors. The powers that shareholders can exercise are more impressive in theory than in practice. Among them are powers to appoint and remove directors; to change the company's memorandum or articles; to alter the company's capital; to attend, speak and vote at general meetings, unless the company's articles explicitly limit or deny this right; to resolve that the company be wound up; and, if enough of them band together for the purpose, to requisition an extraordinary general meeting. These powers may seem quite substantial, but paragraph 103 of the report of the Jenkins Committee on Company Law puts them in their true perspective:

'In practice, however, it may be very difficult for a small

shareholder in a company of any size, even if he knows his rights under the Articles, to rally to his support a simple – let alone a three-quarters – majority of the total voting strength, or even the relatively small proportion of it required to support a requisition for a meeting under section 132, or for the circulation of resolutions under section 140. Moreover, a majority of total voting power and a majority of the voting power exercised at any given meeting are two different things, and, even if the dissatisfied shareholder succeeds in bringing his resolution before a meeting, the smallness of the quorum normally required, and the lack of interest normally shown by the general body of members combine to make it probable that the voting power commanded by the directors at the meeting, albeit a small fraction of the total potential voting power, will suffice to carry the day. Similar considerations apply to any opposition offered to resolutions supported by the directors.'

II. Limitations of protection

6. Though shareholders are a heterogeneous collection, with differing desires, needs and features, there is, at any rate, one characteristic which they share in common in addition to their relative powerlessness in the face of directors. A shareholder must accept an element of risk, no matter what class of share he may hold. An equity shareholder may have to bear the greater risk, but a preference in front of the equity is not enough to isolate a preference shareholder from all risk. Every shareholder must bear some risk; no shareholder can demand absolute security.

7. The power of management that is given to directors is a proper and sensible delegation. It is impossible to imagine a company being efficiently run by an amorphous body of shareholders standing in the place of, or alongside, directors. It cannot therefore be practicable to try and achieve protection for shareholders by extending their existing powers and rights in a manner that would enable them to intervene directly in management. Directors cannot be expected to manage a company's business efficiently unless they are given a broad freedom to do what in their judgment is in the best interests of the company

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and its shareholders. Broad freedom does not mean freedom from all restraint. Directors have to account for their stewardship to shareholders, and no reputable director would regard this as other than a desirable and necessary obligation. But it would be intolerable for directors to have their initiative in managing a company's business and assets shackled by a need constantly to answer to shareholders, or to obtain their specific consent, for particular management decisions and actions. The matters for which power is not delegated to directors, but is reserved to shareholders, are not those of normal or every day management. Interference by shareholders in day-to-day management could only result in inefficiency and in harming their interests.

8. It is true that if shareholders care to raise enough hell at general meetings they may be able to influence the policies and actions of directors. They may even succeed in removing directors and in appointing others in their place who are more to their liking. But, as we have already seen, their theoretical powers to do this are largely illusory. The shareholder who seeks to protect himself by making use of these powers will not usually get very far. Even when a company has done badly and its annual general meetings are consequently well attended by shareholders whose voices and hands are raised in protest, the effect that this has on the subsequent policies and actions of directors is often far from being in proportion to the volume of complaint.

9. As it is neither practicable nor desirable to give a shareholder power to protect himself by direct intervention in management, and as his ability to influence directors is in fact very small, it follows that the only form of protection for him that is likely to be at all effective is one that enables him to make a reasoned judgment of his investment, and to make his own assessment of the risk that is involved. His main protection must come from being provided with a proper basis on which to decide whether to go into, stay with, or get out of an investment. To do this he needs, as successive Companies Acts have recognized, adequate information backed by a reasonable assurance that such information is reliable and is presented fairly. If he chooses to ignore the information which is given to him, that must be up to him; it is a choice he is entitled to make. In a free society there must be freedom to make wrong, as well as right, decisions. And as long as man remains imperfect and fallible, no means will ever be devised that will effectively protect a shareholder against his own greed, stupidity or apathy.

10. When considering what may constitute adequate information for shareholders one cannot entirely ignore their diverse individual characteristics. To mention only some, a shareholder may hold shares in his own right or as a trustee; he may look for a high yield of income or may prefer prospects of capital growth; he may be attracted to a particular share by sentiment or may continue to hold it through sloth or habit; he may invest his capital as a speculation or as a support against old age or other time of need; he may be rich or poor, sophisticated or unsophisticated; and though here identified as 'he', the shareholder may be masculine, feminine or neuter – an individual or a corporate body. Information that is significant to one may have a different significance, or no significance, for another. Information which is given with the object of informing such a diverse body of persons must therefore be given on a broad enough base. It will not be sufficient to give only

information of a sort, or in a form, that is intelligible only to the most sophisticated. The information that is given, and the manner of its presentation, should be such as can be appreciated by the average man of reasonable intelligence – the man on the top of the Clapham omnibus. Where a complicated or essentially technical matter is being dealt with it may be too much to expect the average man to be sufficiently expert to grasp its import. In such a case the presentation should try to ensure that he at least understands that it is significant information which is being given and so may be prompted to seek expert guidance for its interpretation.

11. At the time of writing, the Companies Bill is passing through Parliament. The information which will have to be given if the Companies Bill¹ is enacted in its present form is considered later in this paper. There is, however, a general point about detailed information which can appropriately be made at this stage. How many serious and responsible shareholders, I wonder, are often dismayed by the sight of bulky annual reports and accounts? One of the depressing features of business and professional life today is the mass of material, much of it couched in stodgy or flatulent terms, that the busy man is expected or invited to read and digest. If too much information is thrown at a shareholder he may be made punch-drunk by it. The more information that is given to shareholders, the greater is the obligation on those giving it to see that essential and relevant matters are not lost in a mist of irrelevancies. Conciseness and clarity is always a virtue; turgid verbosity never is.

III. Risks – inevitable and unacceptable

12. Apart from those risks which stem from faults which may be inherent in a shareholder's own personal nature – greed, stupidity and apathy have been mentioned – and against which he cannot be protected, there are others for which he is not directly answerable but which he must accept as inevitable. If he is not prepared to do this, his only remedy is to cease to be a shareholder of any kind in any company.

13. Any venture in the nature of trade or anything which is undertaken with a view to a profit, carries an inevitable element of risk. If a shareholder invests in a company which carries on its business overseas in areas where political and economic conditions are much less stable than are those at home, he must accept the risk that this involves. If he invests in a company whose product is vulnerable to changes in fashion or new technological achievements, he must accept this as an inevitable and tolerable risk. The inherent risks of trade which a shareholder must accept are legion; the thing they have in common is that they are inevitable. Good management may overcome them, but it cannot make them disappear.

14. Nor can the shareholder expect to avoid political risks at home. The steel industry is proof of that – and also proof that, if the timing is right, political risks can bring profit to some. In addition to the risks that political dogmas may bring him, there are other Governmental risks. Each time a Government takes a deliberate action designed to affect the national economy – be it jargonized as deflation, disinflation, reflation, inflation, standstill, freeze or restraint – the value of a shareholder's investment will be affected

¹ The Companies Act 1967 is now, of course, in being and with the author's consent his references hereafter to the Companies Bill have been amended to refer to the Act. – *Editor*.

by matters over which neither he nor the directors of his company have any direct control.

15. A shareholder cannot opt out of inevitable risks. But he has a right to expect to be told of the nature of a company's activities, so that he can judge for himself the nature and the seriousness of the risks he is likely to face.

16. Loss suffered by a shareholder because serious fraud is practised in his company clearly ranks as an unacceptable risk. Minor frauds and defalcations are likely to occur in any company from time to time, but their scope is not such as to have any noticeable effect on the value of the shareholder's investment. They are a matter of internal concern to directors and management, not to the shareholder. Major frauds are other things altogether and must be of concern to the shareholder because they can materially affect him.

17. The number of cases that are reported in the Press suggest that serious fraud in or on companies has tended to increase in recent years. Even so, it is important to keep this in perspective. I think it is true to say that in this day and age loss through serious fraud is one of the least of the risks that a shareholder faces. Without having made any deep research into the question, my impression is that the victims of major frauds in the recent past are more often creditors than shareholders. The vast majority of directors and senior managements are honest and upright. Where they do set out on a course of deliberate fraud it is frequently in circumstances where they themselves own all, or nearly all, of a company's shares and there are no small outside shareholders. Their prey is the company's creditor. Having said this, however, it is fair to remark that on the occasions that directors do indulge in malpractice which has the shareholder among its intended victims it is likely to be on a grand scale.

18. None will dispute that a shareholder should not be put to the risk of making a wrong investment decision because of a lack of adequate information. But when this general proposition has to be put into practice, attitudes may appear to be at variance with the proposition. It is surprising how easily some directors can persuade themselves that, in the context of their company, all that the shareholder needs in the way of information is the bare minimum, and that if he is given any more the harm that will be done to the company's interests will outweigh any possible benefit to him. The most easily recognizable, though by no means the only, examples of this frame of mind are found in the directors of those companies which are still permitted to disclose much less information in their accounts and reports than are the general run of companies. The directors who hold such views may be high-minded men; this makes it all the more of a pity that they should deem their shareholders and the general public to be of such limited intelligence as not to be trusted with adequate information. However, the tide that will in time force on banks, discount houses, insurance and shipping companies a degree of disclosure comparable to that required of other companies is running, and perhaps more strongly than is generally admitted. Not many years ago it was hard to find a board of directors who would not wax eloquent about the dangers of disclosing turnover figures. In the past few years more and more have given these figures and few, if any, have any grounds for saying it has proved harmful. There are indications now that bankers may admit – though without accepting any commitment to act on the admission – that disclosure might not be as bad for them as was once feared. The words of the dissenting minority to the report

of the Jenkins Committee have not all fallen on stony ground:

'Some of the banks in the United States of America publish full annual accounts and in this country some of the Acceptance Houses have published their profit records when obtaining a Stock Exchange quotation for their shares. No harm seems to have resulted.'

19. The shareholder ought to be concerned about the way in which directors regard him. Too few look on him as a worth-while object of consideration and generous treatment. By far too many he is viewed as a being who can be tolerated for so long as he remains acquiescent, using his votes as they recommend and at all times duly grateful for the sops that are thrown his way in dividends. For this state of affairs the shareholder has his own apathy mostly to blame, and the remedy is in his own hands. Though his powers may not avail him much in making any immediate impact on directors' policies, the shareholder can, if he is active in inquiry and constructive in comment at general meetings, lessen the risk that he will be saddled with paternalistic directors who think they know what is best for him and that one of their permitted activities is to protect him against the worst desires and excesses of his own nature by strictly rationing the information and dividends they feed him. It is not difficult for directors to persuade themselves that they can do better for the shareholder by retaining profits than by distributing them. Sometimes they can, but not always. Successive Governments have discouraged dividends and encouraged retentions. Shareholders should be more active in demanding justification of retentions. It is ironic that one immediate result of the change to a corporation tax system, combined with a penal rate of double taxation on profits distributed as dividends, has been to reduce retentions by public companies. Directors do not relish making reductions in dividend. They are therefore tending to maintain the rates of dividends, which now cost more, at the expense of retentions. Unhappily the beneficiary of this is the Government, not the shareholder.

20. When a company crashes and presents its shareholders with an unexpected loss the cause may lie in events that are beyond the control of directors and management. But where the blame for such a loss lies with directors and management it is at least as likely to be caused by incompetence as by dishonesty. Incompetence can, however, lead to subterfuge. Where incompetence occurs, directors who are otherwise good and honest men may succumb to the temptation to issue misleading information in order to cover it up. No one expects perfection and a degree of inefficiency or incompetence must be accepted as a risk inherent in any business. But gross incompetence ought to be an unacceptable risk to a shareholder. One cannot but suspect that many of those who object to disclosing full information in reports and accounts do so partly from fear that such disclosure might reflect on their competence.

IV. Available means of protection

21. Having defined the shareholders with whom this paper is concerned, and having touched on the nature of the protection that can be given him and the sort of risks that he faces, it is now time to consider the means of protection that are available.

(a) Independent audit

22. The shareholder is entitled to assume that accounts which bear an unqualified audit report are reliable, and

generally this assumption is valid. There are times when, either through negligence or weakness on the part of the auditor or because malpractice has been too cleverly concealed, wrong or deliberately misleading accounts of public companies issued by directors nevertheless bear an unqualified audit report; but these cases are very much the minority. It would be a libel on directors and on the accountancy profession to suggest otherwise. To say this does not imply any smug acceptance of the standard of auditing that is current. In a world where business and industry grows ever more complex, the auditor has a constant need to review and improve his techniques and to develop new ones.

23. A valid criticism that is sometimes levelled against auditors is that too often when they qualify their reports they do so in terms which are virtually unintelligible and which leave the shareholder far from clear what the qualification means – or indeed whether there is a qualification at all. There can be few accountants in public practice who, if they are honest with themselves, will not admit to having committed this offence at some time or other. Matters have improved lately and this improvement has undoubtedly been encouraged by Statement U6 – *Qualifications in Auditors' Reports* – issued by The Institute of Chartered Accountants in England and Wales in February 1966. It is a healthy discipline for an auditor when drafting a qualification to his report to put himself in the position of the layman shareholder and to ask himself just what that shareholder is likely to make of it.

24. It is important that a shareholder should appreciate the nature of an audit and of audited accounts. That an audit does not guarantee the accuracy of every figure in the accounts and that a balance sheet does not aim to be, and can only rarely be interpreted as, a statement of net worth is still not as widely understood by them as it ought to be. Too many shareholders think that audited accounts are drawn up by the auditor. They do not always understand that they are the accounts of the directors and that the auditor is reporting on them. They should realize that defects in the way in which information in accounts may be presented is primarily the fault of the directors and that the auditor's remedy is in the final analysis limited to qualifying his report. It is true that reputable boards of directors will go a long way to meet the auditor's objections to, and suggestions for, a method of presentation. But the shareholder should realize that not everything is black or white; that there are shades of grey and off-white also and, if they are so minded, directors can, by an astute use of these, present accounts which the auditor does not much like but which he finds it impossible to qualify in any meaningful way.

25. As businesses grow more complex and increase in volume and as groups of companies tend to grow greater in size and number, the danger increases that serious fraud or misrepresentation, when practised, may have increasingly serious repercussions on audited accounts. An audit is not aimed at detecting petty frauds and minor defalcations, though it may often do so. These cannot affect a true and fair view. Major fraud or misrepresentation on the other hand can affect the true and fair view that has to be given by accounts and so must be of real concern to the auditor. The auditor who fails to discover major fraud where a proper application of audit procedures would do so must be in peril. This is not the occasion on which to enlarge on the nature of his procedures; they will in any event be

governed by the particular circumstances of a case and by current standards of best auditing practice. The principle involved, however, can be illustrated by an extract from a judgment of Mr Justice Pennycuik reported in *The Times* of April 14th, 1967:

'The scheme of the Companies Act 1948 was that the directors must prepare accounts, the auditors must make a report on the accounts, and the report must contain a statement upon certain matters. It was clear that an auditor must exercise reasonable skill and care or he would be in breach of his statutory duty.

'However, it had been laid down in *In re Kingston Cotton Mill Co* that it was no part of an auditor's duty to take stock; nor was he bound to be suspicious where there was no reason for suspicion. That case appeared at first sight to be conclusively in favour of [the auditor] if one took the falsifying of stock in isolation.

'The quality of the duty of care laid on auditors had not changed, but *In re Kingston Cotton Mill Co* could be distinguished on the ground that standards were now more stringent. It must be open to the Court to make a finding that in all the circumstances the auditors had been in breach of their duty in relation to stock.'

Quite apart from major fraud which may involve the falsifying of material figures in a company's books and accounts, the auditor must be equally concerned with the manner in which accounts are drawn up and the information they give is presented. By concentrating too much on the particular disclosure requirements of the Companies Act he can sometimes forget that it is possible for accounts to comply with the strict letter of these requirements but at the same time give a view that is not true and fair.

26. The auditor remains a watchdog and not a bloodhound. Shareholders are entitled to expect that their watchdog will know when and how to bark. They should not be given cause ruefully to reflect on what was said in an article in *The Financial Times* of September 12th, 1966:

'Many of the less reputable and incompetent accountants, when exposed to disreputable directors, may ease their consciences or their workloads with the reflection that, after all, a spaniel is a sort of watchdog too.'

(b) Legal requirements of disclosure

27. Since a shareholder's main means of protection must lie in him being provided with adequate and reliable information, the disclosures that are required by the Companies Act 1948, together with those which are now required under the Companies Act 1967, cannot be of other than crucial importance to him. The requirements imposed by the 1948 Act are well enough known and do not call for detailed comment here. That they were considered to need extension is implicit in the fact that the new Companies Act has now been passed.

28. A detailed analysis and study of the new disclosure provisions that have become law in the Companies Act 1967 could fill a full-scale paper on its own. Many of these provisions are of obvious importance to the shareholder; some may be motivated by considerations other than the wish to give him adequate information. So that this paper will not be of inordinate length, I propose to consider these provisions fairly briefly and from the point of view of the general public of shareholders.

29. The 1967 Act provides for certain additional infor-

mation to be disclosed in a company's accounts and requires the directors' report to be a much more comprehensive and informative document than did the 1948 Act. The Act also provides for a simplification of the auditor's report, which should make it more intelligible to shareholders. Further, in the case of banks, discount houses, insurance or shipping companies, which avail themselves of the exemptions that are permitted in regard to disclosure, the auditor's report is no longer required to refer to a true and fair view; this is a welcome provision – not only to accountants in public practice, but also to shareholders who may have been misled in the past by references to a true and fair view contained in auditors' reports on such companies' accounts.

30. In future holding companies will have to give much more information about subsidiaries than has been required of them in the past. The identities, places of incorporation and particulars of shares held in subsidiaries will have to be disclosed. Where such disclosure would require particulars of excessive length compliance can be achieved by limiting the disclosure to those subsidiaries which principally affect the amount of the profit or loss or assets of the group. A further exception allows that, provided the Board of Trade consent, information about subsidiaries incorporated or operating outside the United Kingdom need not be disclosed if, in the opinion of the directors of the holding company, to do so would be harmful to the business of any of the companies in the group. These requirements are contained in section 3 of the Act. Section 5 paints the opposite side of the picture by requiring a statement in the accounts of a subsidiary company of the name and place of incorporation of its ultimate holding company. This requirement can, with the consent of the Board of Trade, be dispensed with if the subsidiary carries on business outside the United Kingdom and such disclosure would, in the opinion of the directors, be harmful to the business of the holding company, the subsidiary or any of its fellow subsidiaries.

31. Similarly, where a company holds investments in other companies which are not its subsidiaries, and those investments exceed certain criteria, much greater disclosure will be required in future. Section 4 of the Act requires particulars to be given of the identities, places of incorporation and shares held of such other companies where either:

- (i) a shareholding amounts to more than 10 per cent of the issued equity share capital of the other company, or
- (ii) a shareholding amounts to more than 10 per cent of the assets, at book values, of the company which holds the shares.

Where disclosure under (i) would result in particulars of excessive length compliance can be achieved by calling in aid an exception which allows such particulars to be restricted to those relating to the investments which principally affect the profit or loss or assets of the company.

32. In addition to that required by section 4, further disclosure in regard to investments in other companies is provided for by an amendment to the Eighth Schedule of the 1948 Act. A new paragraph 5A will be inserted requiring that in the case of unquoted investments in equity share capital of other companies (other than any whose values as estimated by the directors are separately shown in the balance sheet – either individually or collectively or as to

some individually and the rest collectively) the following matters must be disclosed:

- (i) the aggregate amount of the company's income from such investments;
- (ii) the company's share of the net aggregate profits of the year (both before and after taxation) of such investments as shown by the accounts sent by them to the company during its own financial year;
- (iii) the company's share of the net aggregate undistributed profits accumulated by such investments since their acquisition by the company; and
- (iv) the manner in which any losses incurred by such investments have been dealt with in the company's accounts.

33. It is easy enough to see that the new requirements for disclosure of particulars of a company's subsidiaries or its holding company, and of significant investments in the share capital of other companies, can be of real interest and importance to the shareholder who is trying to form a judgment of the merits of his own investment. It is less easy to see how the new disclosures contained in sections 6, 7 and 8 of the Companies Act 1967 will really help him.

34. Sections 6 and 7 make new rules for the disclosure of directors' emoluments. In place of the aggregate figures of directors' emoluments that are now given there will have to be shown in future:

- (i) the emoluments of the chairman;
- (ii) the emoluments of the highest paid director, other than the chairman, if his emoluments exceed those of the chairman;
- (iii) in the case of other directors, the number of those who have emoluments falling in successive brackets of from £nil to £2,500, £2,501 to £5,000, £5,001 to £7,500 and so on;
- (iv) the number of directors who have waived emoluments and the aggregate amount of such waived emoluments.

Section 8 requires that particulars be given of the number of employees (other than directors) who have emoluments of £10,000 or more, broken down into successive brackets of £10,000 to £12,500, £12,501 to £15,000 and so on.

35. With rates of personal taxation as high as they are, differences at high levels of gross remuneration mean relatively little in terms of spendable income. Suggestions have been made that, when complying with the new disclosure provisions, the figures of net take-home pay should also be given. If this is done it may lessen the risk that the main result of the new rules will be merely to arouse feelings of malicious envy in those who read the information. I record that in my opinion excessive remuneration paid to directors and senior employees is not often at present one of the serious risks that a shareholder has to face and I see little value to shareholders coming out of these new requirements. On the other hand, if the new requirements have some merit, it is difficult to understand why disclosure of the terms of directors' services is not also to be made in a company's accounts or directors' report instead of being merely kept at the registered office or other appropriate place of the company and available there for the inspection of any member of the company (section 26).

(To be concluded.)

The Economics of Devaluation

by E. J. BROSTER

NO government, in its senses, will admit before the event that devaluation of the currency is likely to take place, or that such a step is necessary. Indeed, every government faced with devaluation rumours and arguments will strenuously deny them. The reason is that governments like to choose their own time for acts of policy; widespread rumours of a pending currency devaluation cause the country's nationals, as well as foreigners, to dispose of their holdings of the national money as quickly as possible in exchange for the money of other countries and so cause the government and its central bank to suspend payments in gold or foreign currencies, and therefore to devalue the currency willy-nilly.

It will be recalled that Stafford Cripps early in September 1949 was strenuously denying that sterling was about to be devalued and then on the 18th of that month devalued it from \$4.03 to the £ to \$2.80, which has been the parity value ever since.

This is not to say that the utterances on the subject made by the Government at Westminster today are suspect. Devaluation rumours must be discounted at once whether they are soundly based or not, so also must arguments to the effect that devaluation is the only solution to Britain's overseas payments problem.

Devaluation in theory

In theory, devaluation promotes exports and discourages imports. A devaluation of sterling is supposed to reduce the prices of British goods in terms of overseas currencies and to raise the prices of overseas goods in terms of sterling, resulting in an increase in U.K. sales and a fall in U.K. purchases. This is the theoretical short-term effect. The profits of home industry increase with the growing volume of export sales, but the rise in import prices causes a rise in the general price level including the retail level. The trade unions, ever on the alert for an excuse to demand higher rates of pay, see in this a good reason for pressing for wage increases, and employers – reluctant to risk jeopardizing their higher profits – give way; labour costs follow materials costs on the upward trend, and U.K. export prices rise in consequence; and so in the long term, we ultimately return to square one. The larger pay packets have the effect of increasing home demand and therefore of increasing imports. The pro-devaluationists argue that in the long term, the country would reach a state of economic equilibrium; the anti-devaluationists agree but ask, for how long? They contend that just as a swinging pendulum passes

every so often through a state of vertical suspension, so a living economy must pass periodically through a state of equilibrium from a deflated to an inflated state and back again.

It is true that a living economy is never static; but it can remain in a deflated state or an inflated state for many years, as the U.K. and other economies remained deflated in the late twenties and the whole of the thirties and inflated ever since about 1950. In any event, if there were anything to be said in favour of the pendulum argument, it would be only a matter of time before the British economy and those of other countries would return to a state of deflation, and devaluation would be quite unnecessary. But beneath the economic pendulum to one side or the other, there is a magnet which causes it to pass through a state of slanting suspension – a deflationary slant before the Second World War, and an inflationary slant ever since. It seems the magnet itself swings from side to side, but it took a major war to push it from the deflationary to the inflationary side, and goodness knows – for no economist does – what will push it back to a more acceptable position today.

Devaluation in practice

On the face of it, devaluation is itself inflationary, since it causes a rise in the internal price level. If this were so, and if inflation is the cause of Britain's current balance of payments difficulties, it would not be easy to see how the devaluation of sterling could effect a cure. However, from the point of view of overseas payments, devaluation is deflationary; that is, the internal price level would tend to fall in terms of other currencies. If, for instance, sterling were devalued in terms of the U.S. dollar from \$2.80 to \$2.00, then the U.K. internal price level could rise by up to 40 per cent before it went above its original level in terms of the U.S. dollar, and this in spite of the devaluation rate of only 28.6 per cent.

International reaction

The pro-devaluationists assume that other countries will not devalue their own currencies. The Cripps devaluation of sterling in 1949 was promptly followed by many other countries, amongst them Canada, which reduced the value of her dollar about 10 per cent against the 30 per cent fall in the U.S. dollar value of the £. The fact of the matter is that two can play the devaluation game, and there was really nothing to prevent the U.S.A. from devaluing her \$ at the same



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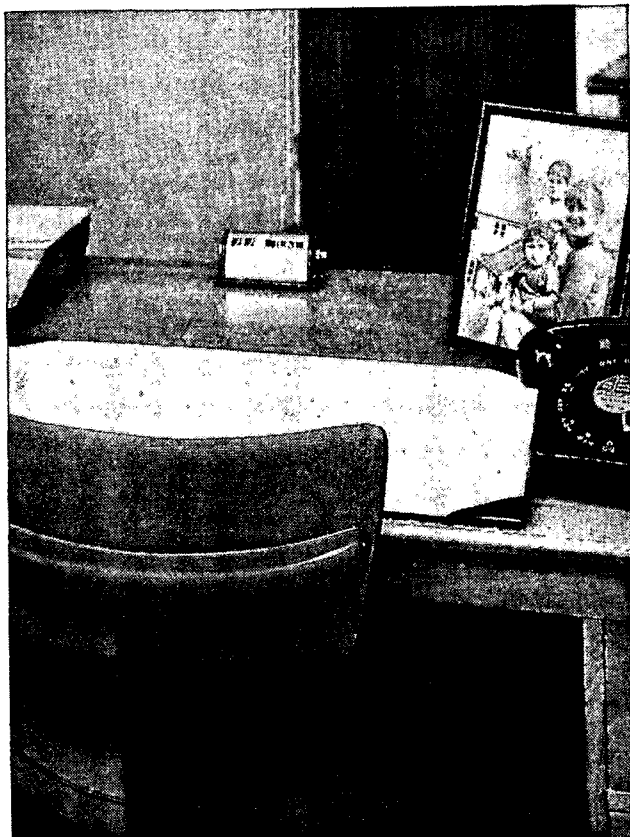


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time, except possibly an undertaking given by the U.S. Government to the U.K. that she would not.

When Cripps devalued the £ sterling, the price of gold was raised at the Bank of England from £8 12s 3d a fine ounce to £12 8s 3d. Today's official price is £12 10s a fine ounce which, give or take a shilling or two, is the price now prevailing on the London Bullion Market. In New York, the official price of fine gold is \$35 an ounce. These two prices run parallel to the dollar-sterling par of exchange of \$2.80 to £, i.e. 35 divided by 12.5.

The devaluation of sterling would give Britain a competitive advantage in world markets, including her own, only over those countries which did not devalue their currencies at all, or which reduced the external values of their currencies to a smaller extent. A government about to devalue its currency, therefore, not only raises the official price of gold, but tries to raise the price of all other countries' currencies in its exchange market.

The word *tries* is the operative term. Any country which objected to having its currency revalued upward in this way would immediately raise its own official price of gold and therefore of gold currencies to the same extent, and thus preserve the original parity of its currency in terms of the devalued currency, though to be sure it would be devaluing its own currency in terms of all non-devalued currencies.

The role of gold

The U.K. departed from the old international gold standard just before the outbreak of war in 1939, never to return. Under this standard the ruling official price of gold was maintained in much the same way as it is today, but the gold reserve, which was then held by the Issue Department of the Bank of England, formed the basis of the note issue, an increase in the gold reserve resulting in a similar absolute increase in the note issue, and vice versa. Since currency notes provide the basis for banking credit, the old gold standard exercised an automatic control of the nation's stock of money, increasing it when the balance of payments was in credit and reducing it when it was in debit, and thus preventing long-term economic disequilibrium.

However, the international gold standard fails to provide a monetary system in keeping with modern requirements of international growth and trade, of full employment and productivity, of a system which in effect prevents the magnet beneath the economic pendulum from moving to an extreme deflationary position.

Money is said to oil the wheels of commerce but it cannot do this if there is not enough of it. Under the old international gold standard, the wheels of commerce would have seized up long ago even with today's relatively high price of gold.

Nobody, so far as I know at any rate, advocates a return to the old full-blooded gold standard. Nor does anybody in these days advocate a complete rupture with today's mild version of the gold standard – though

there used to be a society called the Monetary Reform League, whose slogan was: 'The commodity standard must supplant the gold standard'.

But there is a powerful movement afoot for an upward revision of the world price of gold, the object of which is to increase international liquidity, that is, the volume of money available for financing international trade in the form of the monetary value of national gold reserves. Needless to say the gold-producing countries – South Africa, Australia and the U.S.S.R. – give full backing to the movement. The French Government too, accepts the idea; but the Governments of the U.K. and U.S.A. reject it. However, it seems that the agreement arrived at in August by the Group of Ten – the ten most financially important countries – to enable debtor countries to increase their reserves through the proposed special drawing rights (S.D.R.) scheme to be operated by the International Monetary Fund, has put paid to the idea of a world rise in the price of gold, for the time being at any rate.

A world rise in the price of gold can be described as an international currency devaluation, the devaluation being in terms of gold. This is not to be confused with an internal or national currency devaluation, which, to give the devaluing country any competitive advantage over other countries in the world's markets, must necessarily be in terms of other currencies as well as gold.

Floating exchange

A rather less powerful movement holds that the foreign exchange value of sterling should be allowed to float; that gold parities should be abolished, and that the official sterling price of gold should fluctuate generally in sympathy with foreign exchange rates, and merely be exploited by the Bank of England to iron out short-term movements and thus exercise a steadying influence on sterling. The protagonists of a floating exchange argue that it would prevent excessive debit and credit balances of trade.

Needless to say, there are some serious objections to a project of this kind. First, London would lose its standing as a leading international financial centre, resulting in an appreciable loss of income from abroad. Secondly, sterling would similarly lose its standing as an international currency, again resulting in a loss of income. Thirdly, sterling balances would tend to take flight and so reduce Britain's gold and currency reserves to a dangerously low level. Fourthly, sterling would become a gambling counter for foreign speculators on a large scale – so much so, indeed, that movements in its exchange value might well be the result of such speculation rather than of economic factors.

Finally, there is a danger that floating exchange rates would lead to a gradual and never-ending devaluation of sterling; indeed, it is sometimes argued by the critics of the floating exchange that it is merely a back door to devaluation, which is what its pro-

tagonists really want. In reply, the protagonists point to the example of Canada which adopted a floating exchange in 1950 and then found the exchange value of her dollar climbing upward until, in spite of the devaluation by some 10 per cent in September 1949, it reached a higher value than the U.S. dollar in 1952 and remained at a higher level up to 1961.

A matter of diagnosis

But would devaluation in any guise eliminate Britain's debit balance on overseas current account or convert it to a credit balance?

The answer must depend upon the reason for the debit balance. A debit balance exerts pressure on the £ and causes weakness, a tendency for the £ to fall below par on the foreign exchanges and for the sterling price of gold to rise. In its first leading article, *The Times* of March 10th, 1966, listed thirty-seven reasons why the £ was weak, amongst them being:

- Britain is living beyond her means;
- Britain is still so heavily in debt abroad; and
- British industry has continuously lost its share of world markets.

If they were true, they would be good reasons for a debit balance and a weak £. But were they true? Are they true today? Apart from one other reason, viz., Government spending abroad goes on rising, the rest of the thirty-seven reasons consist of a tirade against the trade unions, 'supine' managements, an inability to face the truth, lack of leadership, an alleged national philosophy of 'all take and no give', and so on.

No doubt there was a modicum of truth in all this; and the leader enjoyed a measure of fame and became a seven-day wonder. But let us look at the available facts. Consider first the three reasons referred to above.

Britain living beyond her means?

This could only mean that Britain's annual expenditure exceeds her annual income on overseas current account, and on the face of it this is true, for the annual average balance for the years 1962-66 amounted to as much as £71 million in the red. However, the U.K. Government economic aid to other countries amounted to an annual average of rather more than £200 million in the same years, so that it looks as though it is the people of other countries, not Britain, who are living beyond their means. Without the aid the U.K. would be in the black to the extent of some £130 million a year. There is no implication here that Britain should drop the aid or reduce it.

Heavily in debt abroad?

It is difficult to see what this means. Does it refer to Britain's indebtedness to the International Monetary Fund and the bankers of Zürich? If so, then the adverb *heavily* should now be omitted. Or does it mean a general indebtedness on commercial account? If so, then it should be said at once that all, or nearly all, countries are in debt to some extent, and correspondingly they are also in credit.

The question is, on which side does the balance lie? Private investment abroad by the U.K. averaged £332 million in 1962-66, and into the U.K. from abroad averaged £229 million - a net investment abroad by the U.K. of over £100 million a year. This, of course does not give us much of a clue to the total value of British investments, of which there are no official figures available. However, there are figures of investment income and outgo and these show an appreciable net credit:

U.K. INTEREST, PROFITS AND DIVIDENDS

				£ million		Net income
				Income	Outgo	
1936 ..	..	..	..	—	—	200
1937 ..	..	..	..	—	—	210
1938 ..	..	..	..	—	—	200
1962 ..	..	..	..	754	418	336
1963 ..	..	..	..	831	435	396
1964 ..	..	..	..	900	484	416
1965 ..	..	..	..	1,003	530	473
1966*	..	..	..	1,070	570	500

* Provisional.

From these figures it looks as though the total U.K. investment abroad had reached something like £10,000 million by 1966, the corresponding figure for other countries' investment in the U.K. being little more than £5,000 million. The resulting total net U.K. assets abroad of well over £4,000 million stand as a secondary reserve to her gold and currency reserves of some £1,000 million. It is, in any event, far more than enough to pay off any outstanding loans due to the I.M.F. and the Zürich bankers; so that far from being heavily in debt abroad, Britain is heavily in credit.

Losing overseas markets?

Is Britain losing her share of overseas markets? Unquestionably her proportional share of world trade has declined appreciably since the war; but this is to be expected. World trade has expanded over the years and Britain's proportional loss is not so much due to her absolute loss of trade in competition with others as to new trade created by others. True, the U.K. could have taken a larger proportional share if she had developed her shipbuilding, electronics and motor industries on the same lines as the Japanese, and there is no doubt that she has lost some trade to Japan, West Germany, Italy and others through her neglect in adopting and applying new inventions and processes. But consider her record in isolation, in absolute terms:

U.K. VISIBLE TRADE

				£ million		Debit balance
				Imports f.o.b.	Exports f.o.b.	
1936 ..	..	..	..	780	520	260
1937 ..	..	..	..	945	606	339
1938 ..	..	..	..	846	562	284
1950 ..	..	..	..	2,312	2,261	51
1955 ..	..	..	..	3,386	3,073	313
1960 ..	..	..	..	4,141	3,733	408
1965 ..	..	..	..	5,059	4,779	280
1966 ..	..	..	..	5,248	5,110	138

This is not at all a bad record. The pre-war debit balance averaged £294 million a year in the three years 1936-38, and £230 million in the five years 1962-66. Although Britain's imports increased about sixfold in value between 1938 and 1966, exports increased tenfold. A part of these increases are accounted for by upward price movements, but if we take account of price movements in comparing the debit balance of visible trade, the fall since the immediate pre-war years would be even more remarkable than the uncorrected figures indicate.

Whatever may account for the balance of payments problems and the pressure on the £, it is not the export performance of the U.K. There was a debit balance of payments on current account before the war, as well as in recent years, but at a rather lower level:

BALANCE OF PAYMENTS ON CURRENT ACCOUNT

	£ million
1936	- 18
1937	- 56
1938	- 54
1962	+ 101
1963	+ 107
1964	- 393
1965	- 109
1966	- 61

Government spending abroad

'Government spending abroad goes on rising', declared *The Times* leader as one of the thirty-seven reasons for the weakness of the £. I have already referred to Government economic aid now running at over £200 million a year, which is partly on capital account. The total Government expenditure abroad, net of credits, on current account now runs at over £450 million a year, compared with the pre-war average of less than £10 million:

U.K. GOVERNMENT NET EXPENDITURE ABROAD

	£ million
1936	3
1937	4
1938	13
1962	361
1963	383
1964	433
1965	449
1966	472

Goes on rising is unquestionably the correct verb to use, and it applies throughout the years following the war from 1948, when the total stood at its post-war low record of £92 million. As the above table shows, it has increased by over £100 million over the last four years. Expenditure of this magnitude cannot easily be absorbed and there seems good reason for a thorough examination of the item in detail to discover what savings can be made. It represents over 5 per cent of the total turnover on overseas current account, and a saving of £100 million - rather less than a quarter of it - would put the overseas current balance in credit.

Income from shipping

This is an item in the overseas balance and therefore a factor in the strength of the £ which *The Times* leader did not mention specifically. The pre-war net credit from shipping of about £100 million a year has disappeared completely and the debits began exceeding the credits in 1960, since when the net debit has varied around £20-30 million a year. On civil aviation the reverse has been the case, the credits beginning to exceed the debits in 1958; but the process has a long way to go before it makes good the loss of shipping income.

Conclusion

It is difficult to see how a devaluation of sterling would convert the debit balance to a credit. Looking first at the debit items we find that of the total Government expenditure of £450 million a year, about £200 million goes to non-sterling areas. Even supposing that the overseas sterling area countries devalued their currencies to the same extent as the devaluation of sterling, there would nevertheless therefore be an appreciable increase in this item on account of sterling devaluation since much of it, if not all, has to be paid in local currencies.

Payments of interest profits and dividends by the U.K., on the other hand, would be unaffected since they are paid in sterling. The effect on payments for shipping would probably be a rise as a result of devaluation from the point of view of price, since most of the non-U.K. shipping is provided by non-sterling area countries. This would be offset to some extent by a reduction in Britain's use of overseas shipping services.

By far the largest debit item is imports. There is no guarantee that an increase in the sterling price of imports would effect a reduction in expenditure on them. There would be a reduction in the physical volume to be sure; but if the price-elasticity of demand is unity - and there is no reason for supposing otherwise - the total expenditure would remain unchanged, that is, the U.K. would pay the same money for fewer goods.

There are other debit items in the overseas current account such as foreign travel, and payments by U.K. insurance companies in respect of loss, damage and the like. Given that the £50 travel allowance is dropped, U.K. expenditure on travel would probably increase in consequence of devaluation, since the demand for foreign travel is probably pretty inelastic, and so, too, would insurance claims paid, since both are paid for in local currencies mostly of non-sterling area countries.

On the whole, then, sterling devaluation would have the effect of increasing Britain's overseas current expenditure in terms of sterling, and to that extent would increase the deficit on her overseas account.

The main hope of the pro-devaluationists must therefore lie in an increase in the credit items. Of these, the principal one is exports. Again, there is some difficulty here as with imports in respect of the price-elasticity of demand. Devaluation would un-

doubtedly have the effect of increasing the physical volume of our exports, other things being equal, but if the price-elasticity of demand for them were unity, then the receipts from them would remain constant.

However, if competition in world markets is as fierce as it is often said to be, the price-elasticity of demand is probably much greater than unity, so that the fall in price in terms of overseas currencies would result in an increase in the total expenditure on them. Payments for some services (the invisibles) as well, such as insurance and travel in the U.K., might also increase. The demand for banking services could very well decline, however.

The conclusion is, then, that although devaluation would cause an increase in terms of sterling in the turnover of U.K. transactions on overseas current account, there is no knowing for certain whether the increase in the credit items would exceed the increase in the debit items. The vast expansion in Government expenditure abroad has introduced a serious element of uncertainty into the problem. The first step in solving the balance of payments problem rests with the Government, which should make every effort to curtail its own overseas expenditure.

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Taxation Cases

*Full reports of the cases summarized in these columns
will be published, with Notes on the Judgments, in
the 'Annotated Tax Cases'*

John Mills Productions Ltd v. Mathias

In the High Court of Justice (Chancery Division) –
July 5th, 1967

(Before Mr Justice UNGOED-THOMAS)

Income tax – Stage and film artiste and director – Exploitation company – Exclusive services to company – Services let out to film company – Termination of this agreement – Date of termination agreement – Whether sum payable a trade receipt – Income Tax Act 1952, Schedule D, Case 1 (section 123).

In *John Mills Productions Ltd v. Mathias*, the stated case was remitted to the Special Commissioners for them to find whether a binding agreement for the cancellation of the service agreement with the film company had been made before or after the parent company went into liquidation. The two possible dates of the cancellation agreement appeared to be January 19th, 1951, and March 22nd, 1951. The Special Commissioners stated a supplementary case to the effect that when they had referred to March 22nd, 1951, as the date of the termination agreement, they had intended merely to summarize the contents of the written agreement of that date; and that they had never addressed their minds to the question of the date when a binding termination agreement was made. The stated case was then again remitted to the Special Commissioners for them to hear further evidence, and to find when a binding termination agreement was in fact made.

On the second remission the Special Commissioners decided that a binding termination agreement had been made on January 19th, 1951, that is to say, before the exploitation company went into liquidation; and that the £50,000 paid by J. Arthur Rank Productions Ltd for obtaining the cancellation of the service agreement with Mr Mills was a taxable receipt of the parent company.

Held: on the facts the Special Commissioners' decision was correct.

Snell v. Rosser, Thomas & Co Ltd

In the High Court of Justice (Chancery Division) –
July 7th, 1967

(Before Mr Justice UNGOED-THOMAS)

Income tax – Transaction in land – Builder and contractor company – Purchase of house for conversion into flats and sale – Company obliged to purchase adjoining land – Sale after two years – Whether sale money a taxable receipt – Income Tax Act 1952, Schedule D, Case 1 (section 123).

The appellant company carried on business as a builder and contractor, and it had made no purchase or sale of land other than its registered office until in 1958 it found that a large house was for sale and would be suitable for conversion into flats. The company had never before entered into a transaction of conversion and sale.

The house and five and three-quarter acres of adjoining land were put up for sale together, and the company had to buy the adjoining land together with the site of the house. There was no dispute that the purchase, conversion and sale of the house was a trading transaction of the company.

Of the total sum paid for the house and the adjoining land the company ascribed £5,000 to this land and approximately £3,800 to the house. In 1960 the company sold the five and three-quarter acres at a profit of £6,884. During the two years nothing had been done to the five and three-quarter acres, nor was it advertised for any purpose, nor was it let, nor was any income derived from it.

It was contended for the company that the five and three-quarter acres, though necessarily bought together with what was admittedly a piece of trading stock, was not in itself trading stock; and that the surplus made on the sale of it

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"YOU mean, Mr. Chairman, that you didn't even enquire?"
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They used to be such friendly family affairs, the Annual General Meetings of Marston Engineering Components Ltd., a medium-sized private company. But now there was trouble. Big trouble. And one shareholder in particular was making a meal of it.

"Prosperity built up over the years is jeopardised," he hectorred. "Reserves have almost vanished. The very existence of the firm is threatened. And all because *you* didn't make enquiries."

"Mr. Harris," replied Marston, a little rattled, "you are a shareholder, but you do not understand the structure and workings of this company."



"Nor do you by the looks of things!"

Marston ignored the sally and went on to explain that it was in the nature of their business to have a limited number of good customers, all of whom were well-known names in the engineering field and all were public companies of repute.

"But now one of our customers, nearly a 'blue chip', has gone into liquidation, leaving us with a large bad debt of nearly £30,000. Because we are an unsecured creditor, the Liquidator says we'll get virtually nothing."

"And we know who to thank, don't we?" jibed Harris.

"Can't you understand?" shouted Marston, "that with our class of customer, credit-worthiness has never been a problem before?"

"Well it is now, and look how hard up it has made us!"

That meeting ended in gloom. But twelve months later, what a change there was in the picture.

"I am delighted to report" said Mr. Marston, "that thanks to the magnificent efforts of my co-directors and the staff, the company is back on an even keel. Furthermore, I personally have made arrangements which ensure that we are never again caught as we were before."

Looking at Mr. Harris, he announced: "I have called in Shield Factors. This means that in future we shall deal only with Shield approved accounts. The Shield people will do the investigating, and give credit clearance regarding all our customers, new or established. Thus *we* are completely protected."

Mr. Marston went on to explain that in addition to eliminating the possibility of bad debts, Shield Factors were providing immediate cash for the purchase of all the book debts of the company. The Shield Factors link-up would also do away with ledger keeping, debt collection and account rendering. Apart from the access to immediate finance, there would be an assured cash in-flow each month according to the company's sales and deliveries.

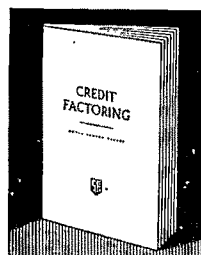
"In short, we have secured multiple benefits all round, as well as being able to say with Hotspur in Henry IV, 'Out of this nettle danger, we pluck this flower, safety'."

* * *

When the customary vote of thanks was proposed, it was seconded by Mr. Harris himself, who concluded "... and I would like to add three hearty cheers for our Chairman!"

Whispered Marston to a co-director: "Shield Factors have even put new heart into Harris!"

* * *



* Details of Shield service are given in this booklet: "Credit Factoring", a copy of which is waiting for you. Write or 'phone (asking for Mr. F. R. Salinger or for Mr. E. S. Davis) and it will be sent to you by return.

SHIELD FACTORS LTD

formed by N. M. ROTHSCHILD & SONS, ANGLO-AFRICAN SHIPPING CO. (S.A.) LTD., C. T. BOWRING & CO. LTD., EAGLE STAR INSURANCE CO. LTD., INDUSTRIAL & COMMERCIAL FINANCE CORPORATION LTD., KLEINWORT BENSON LTD.



Plantation House, Mincing Lane, London, E.C.3.
Telephone: 01-623 9236

was not a taxable receipt. It was contended for the Revenue that the five and three-quarter acres was also trading stock of the company and that the £6,884 was a taxable receipt. The General Commissioners decided in favour of the taxpayer.

Held: the purchase of the five and three-quarter acres was incidental to the purchase of the house; it was not a fixed asset of the company; it was part of the company's trading stock and the sum received for it was a taxable receipt.

Heaton v. Bell

In the High Court of Justice (Chancery Division) –
July 11th, 1967

(Before Mr Justice UNGOED-THOMAS)

Income tax – Office or employment – Machine minder at weekly wage – Car loan scheme – Car lent to employee – Wages in reduced amount – Whether gross wages reduced or deduction made in computing gross wages – Whether loan of car an emolument – Valuation of this emolument – Income Tax Act 1952, Schedule E (section 156) – Finance Act 1956, Schedule 2, paragraphs 1, 7.

The taxpayer was employed as a machine minder at a weekly wage with a basic rate and various additions. In 1964 the company introduced a voluntary car loan scheme pursuant to which the company bought a car and loaned it to the taxpayer for his use. The company obtained a capital allowance in respect of the car. The company paid for the licence and insurance on the car, but the taxpayer was responsible for maintenance and running costs. He was under the obligation of driving the car himself only, and not to let anyone else drive it. Because of having the advantage of the scheme, the taxpayer received at first £2 10s a week less in wages, but the amount varied, partly because a better car was substituted later on and partly because of increased costs.

In a letter outlining the car loan scheme, which was sent by the company to its employees, reference was made to the scheme being available 'when the pocket permits', and to the running of a car on most reasonable terms. One of the conditions of the scheme stated that an amended wage basis would come into operation if the application to join the scheme was accepted, and another condition provided that if the car was under repair for maintenance or following an accident, the amended wage basis would still apply. In a further letter to the employees reference was made to 'the present wage adjustments' being varied. In a memorandum, it was provided that either the company or the employee could cancel the arrangement to use the car at fourteen days' notice. In yet another document reference was made to the £2 10s and the variable amounts as 'wage reductions'; and an internal memorandum by the secretary required an employee in the company's wages office to 'arrange the necessary weekly reduction'. In evidence the taxpayer said that if he had been asked whether the company had supplied him with a car at a sum deducted from his wages, he would have said that he had accepted a lower wage and a free car.

The taxpayer contended that the transaction about the car involved his accepting a wage calculated at £2 10s (or whatever the variable amount was at any given time) less than what he would otherwise have received; and that,

therefore, there was no benefit to him from the transaction. He also contended, in the alternative, that if the loan of the car was a benefit, it could not be converted into money or money's worth.

It was contended for the Revenue that the transaction about the car was separate from the transaction fixing the taxpayer's wages and that, therefore, the £2 10s (or other variable amount) was a deduction from the taxpayer's wages; that the loan of the car was a benefit which could be converted into money or money's worth by the taxpayer giving fourteen days' notice to terminate the loan, whereby his wage would be restored to the amount it would have been if there had been no loan of a car; and that the value of the benefit accruing to the taxpayer was £2 10s (or other variable amount) for each week of the year under appeal.

The Special Commissioners decided in favour of the taxpayer.

Held: the £2 10s (or other variable amount) was a deduction made in computing the taxpayer's weekly wages; that the loan of the car was an additional benefit and, therefore, a perquisite of his employment, and that the value of the benefit was the £2 10s or other variable amount for every week of the year under appeal.

Mapp v. Oram

In the High Court of Justice (Chancery Division) –
July 24th, 1967

(Before Mr Justice UNGOED-THOMAS)

Income tax – Child allowance – Boy over 16 years of age – Full-time student at university – Two and a half months in France to improve French – Temporary teacher there – Earnings as teacher – Whether income of child – Whether child allowance reducible – Finance (1909-10) Act 1910, section 68 – Finance Act 1920, sections 17, 21, 22 – Finance Act 1927, section 38 – Income Tax Act 1918, sections 9, 13.

The taxpayer was entitled to a child allowance in respect of his son, a boy of over 16 years of age, who was a full-time undergraduate at St Andrews' University. The son was advised by his tutor to obtain an appointment in France as a temporary teacher to improve his French. He obtained such a post in the year of assessment in question, and earned the equivalent of £150 in the two and a half months that fell into that year. The £150 was spent in France on lodgings and incidental outgoings and nothing was brought into the United Kingdom when the son returned.

It was contended by the taxpayer that no deduction could be made in the child allowance because of the son having earned the £150 in question; and, therefore, he was entitled to the full allowance. It was contended for the Revenue that the son was, in the year under appeal, entitled in his own right to an income exceeding £115 and that therefore the amount of the child allowance available to the taxpayer was reducible by £150 minus £115; that is £35.

The General Commissioners decided in favour of the taxpayer.

Held: the General Commissioners' decision was correct, because as the £150 was earned by the son abroad, and no part of it was brought into the United Kingdom, it was not taxable income of the son and could not therefore be taken into account for the purpose of reducing the amount of the taxpayer's child allowance.

Finance and Commerce

The chairman states that property lettings since concluded and negotiations at an advanced stage will produce income at the rate of £35,000 a year to be added to profits, and the sum will rise to a minimum £50,000 a year within two years. Mr Marley's second point is that demolition, rebuilding and re-equipping of older properties and the

THE COLLINGWOOD GROUP LIMITED and its Subsidiary Companies
CONSOLIDATED BALANCE SHEET AT 28th FEBRUARY, 1967

[illegible]

building of additional stores have caused some disturbances in the retail division and have 'reduced the normal anticipated contribution to profits'. Without a profit breakdown shareholders do not, of course, know what the normal contribution is.

The chairman's third point is also on the retail division side and concerns the backlog of 'the Carrington robbery' in Regent Street, London, two years ago. Last year Mr Marley reported that the company's claim had been agreed and paid. This year he comments on reorganization and 'exceptionally heavy charges against trading for insurance and security'.

The Carrington company showed 'a further trade loss of £23,374' in the year under review, but the business 'now shows all the signs of returning to profitability next year'. The other, and fourth point, is that 'The retail training

programme, particularly in the north-eastern development area, has in the year under review had its heaviest allocation yet'.

Engineering

Clearly the property division is only beginning to come into profit reckoning in group terms and the bulk of profits comes from the retail jewellers and engineering sides. Just what the engineering side contributes – or even what it does – is not indicated in the report. The two engineering companies are John Shepherd & Sons Ltd and S.M.L. (Engineers) Ltd, and a description of their activities would be instructive. Shepherd, incidentally, is largely concerned with machinery and equipment for the poultry and agricultural industries.

There is no indication in the accounts nor in the chair-

THE COLLINGWOOD GROUP LIMITED and its Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT—YEAR ENDED 28th FEBRUARY, 1967

1966			
£	£		£
405,690		Trading Profit after taking into account the items set out below (including in 1966 £28,200 attributable to 1965)	396,302
	803	Income from Quoted Investments	720
	536	Interest Receivable	3,587
	—	Underwriting Commission	314
	34,382	Depreciation and Amortisation	41,383
	20,480	Mortgage Interest	88,769
	25,403	Bank and Other Interest	23,534
	4,626	Auditors' Remuneration (Collingwood Group Limited £250)	4,489
		Deduct: Taxation based thereon:	
	157,273	Corporation Tax	169,716
157,273	—	Less: Adjustments in respect of prior years	(11,726)
		Profit after Taxation:	
	187,079	Dealt with in the Accounts of the Collingwood Group Limited	238,003
248,417	61,338	Carried forward by Subsidiaries	309
		Deduct:	
		Dividends (Gross):	
	16,830	Preference	16,830
		Founder and Ordinary:	
	61,676 (12½%)	Interim, 12½% paid (Note 7)	61,507
	64,013 (13%)	Second Interim	—
	—	Proposed Final, 13½% (Note 7)	66,474
	142,519		144,811
110,135	32,384	Less: Income Tax deducted and retained	—
138,282			144,811
		Balance brought forward from last year:	
	148,795	The Collingwood Group Limited	225,739
156,122	7,327	Subsidiaries	68,665
		Balance carried forward:	
	225,739	The Collingwood Group Limited	318,931
£294,404	68,665	Subsidiaries	68,974
			£387,905

The relevant Notes on page [599] form part of this Profit and Loss Account.

THE COLLINGWOOD GROUP LIMITED

NOTES ON THE ACCOUNTS

1. All the Subsidiaries of the Collingwood Group Limited are United Kingdom Companies and all are wholly-owned.

	Capital Reserves The Group £	Other The Group £
Balances at 1st March, 1966	641,792	3,319
Less: Capital Expenditure on certain properties revalued in 1965	(4,478)	—
Expenses relating to Mortgage on Freehold and Leasehold Properties	(14,408)	(250)
Balances at 28th February, 1967	622,906	3,069
Deduct: Goodwill arising on consolidation	140,099	—
	<u>£482,807</u>	<u>£3,069</u>

3. Fixed Assets (The Group)

Freehold and Leasehold Properties:

	1967 £	1966 £
Shop and Investment Properties—		
At Cost		
Freehold	501,313	261,145
Leasehold	119,615	108,513
	<u>620,928</u>	<u>369,658</u>
At Professional Valuations:		
Freehold 1959	22,000	22,000
Freehold 1965 with subsequent expenditure at Cost	1,308,946	1,300,073
Freehold 1966	30,000	10,000
Leasehold 1960 with subsequent expenditure at Cost	216,194	204,718
Leasehold 1965	32,500	32,500
At Directors' Valuation—1965	<u>1,665,640</u>	<u>1,625,291</u>

Freehold Factories and Land—

	1967 £	1966 £
At Cost	15,795	15,795
At Professional Valuation in 1965 with subsequent expenditure at Cost	287,758	284,613
	<u>303,553</u>	<u>300,408</u>
Deduct:		
Depreciation and Amortisation	25,434	15,087
	<u>£2,564,687</u>	<u>£2,280,270</u>

A Leasehold Property having a book value of £190,010 was Professionally Valued in 1965 (at which date there were 39 years unexpired) at £525,000, but this has not been written into the Accounts, and Amortisation is being provided on the book value.

The Leasehold Properties having book values of £37,640, £11,436, £32,500, £190,010 and £65,748 have unexpired terms of 903 years, 94 years, 73 years and under 37 years respectively. No depreciation has been provided on Freehold Properties and no Amortisation has been provided in respect of Leasehold Shop and Investment Properties, having an aggregate book value of £109,108.

3. Fixed Assets (The Group)—Continued

Plant, Machinery, Motor Vehicles, etc.:

(a) Plant, Machinery, etc.—

	1967 £	1966 £
At Cost	302,763	302,763
Less: Depreciation	113,505	113,505
	<u>189,258</u>	<u>189,258</u>
(b) Motor Vehicles—		
At Cost	52,496	52,496
Less: Depreciation	36,365	36,365
	<u>16,131</u>	<u>16,131</u>
	<u>£205,389</u>	<u>£188,036</u>

4. Directors' Emoluments

The aggregate emoluments of the Directors of the Company were as follows:—

	1967 £	1966 £
As Directors	200	200
As Executives	9,500	4,800
	<u>£9,700</u>	<u>£5,000</u>

5. Capital Commitments

Commitments for Capital Expenditure on Freehold and Leasehold Property are estimated at £306,500 (1966 £207,500) of which £240,000 (1966 Nil) relates to the Company.

6. The Collingwood Group Limited has guaranteed the Mortgage Loans of seven Subsidiary Companies amounting to £1,000,000 at 28th February, 1967. Shares in two Subsidiary Companies are deposited with bankers to support overdraft facilities available to the Group when required.

The mortgage loans which carry interest at rates varying between 6 per cent. and 7½ per cent. are for fixed terms and are redeemable at par as follows:—

£850,000 by payments of £17,000 per annum commencing in 1976 with a final repayment of £340,000 in 2006.

£317,000 by means of Endowment Policies maturing between 1979 and 1984.

£68,000 by payments of £1,700 per annum commencing in 1967 with the final payment being made in 2006.

7. Two Directors of The Collingwood Group Limited have waived their right to the Interim and Final Dividends on part of their Founder and Ordinary Shareholdings. If such dividends had been paid they would have amounted, in aggregate, to £23,704 Gross.

Although half the share capital is held by directors and their families, family and charitable trusts and associates, the company, Mr Marley says, 'does not appear to be a "close" company within the meaning of the Finance Act 1965'.

THE current altercation inside the Industrial Reorganization Corporation has clearly put a keen edge on the knives being used in the General Electric-Associated Electrical Industries take-over battle. The resignation of Sir Charles Wheeler from I.R.C. is a direct result of I.R.C.'s intervention – even promotion – of the battle, but the resignation of Mr Ronald Grierson is another matter entirely. Basically Mr Grierson's resignation turns on the difference between City and Government attitude on I.R.C.'s role. Should I.R.C. be the persuasive instigator and promoter of industrial rationalization and reorganization or some sort of subcommittee sitting at the receiving end of the Whitehall 'ideas' pipeline? In other words is I.R.C. supposed to be working for industry or the Government?

Money Rates		
Day to day ..	4 $\frac{3}{8}$ -5 $\frac{3}{4}$ %	<i>Bank Bills</i>
7 days ..	4 $\frac{1}{2}$ -5%	2 months ..
<i>Fine Trade Bills</i>		3 months ..
3 months ..	7-7 $\frac{1}{2}$ %	4 months ..
4 months ..	7-7 $\frac{1}{2}$ %	6 months ..
6 months ..	7 $\frac{1}{2}$ -8%	

The Institute of Chartered Accountants in Ireland

Meeting of the Council

The October meeting of the Council took place in Dublin with the attendance as follows:

Mr N. V. Hogan, President, in the Chair; Mr T. D. Lorimer, Vice-President, Messrs H. F. Bell, G. A. P. Bryan, M. M. Connor, R. N. Crawford, Niall Crowley, W. J. Johnston, Thomas Kenny, John Love, C. H. Nicholson, W. H. O'Donnell, H. W. Robinson, C. F. Smith, A. J. Spain, D. H. Templeton, A. W. Warnock, F. C. Winkelman, with the Secretary and Assistant Secretary (Mr D. J. Layden).

Fellowship

Mr Leo C. Kearney, Newry, was elected a Fellow of the Institute.

Practice

The following were admitted to practice:

Collins, Declan Francis, A.C.A., Dublin
Frost, Alfred Alexander, F.C.A., Belfast
Gubbins, Seumas Anthony, A.C.A., Limerick

Hogan, John Francis, A.C.A., Dublin
Hyland, John Jeremiah, A.C.A., Cork
Lewis, Gordon Shirley George, A.C.A., Dublin

Murphy, David Ignatius, A.C.A., Dublin

O'Connor, Brian, A.C.A., Dublin
Reilly, Derek William George, A.C.A., Belfast

Shortall, Patrick Francis, A.C.A., Dublin

Mr Michael F. Duggan, A.C.A., Dublin, was re-admitted to practice.

Membership

The following candidates who completed the Institute Examination at the Summer 1967 session were admitted to membership:

As Associates in Practice

MacGoey, Sean Seamus, Dublin
O'Brien, Brendan, Dublin
O'Leary, Norman Gregory, Limerick

As Associates not in Practice

Aldridge, Anthony Francis E. L., Dublin

Brown, Alan Bell, Belfast

Butterly, Barry, Dublin

Byrne, Cyril Edward, London

Cullen, Myles Thomas, Dublin

Davy, Joseph Derek, Dublin

Dickson, David John Maynard, Belfast

Dunlea, Barry, Dublin

Ferguson, Alan James, Bangor, Co. Down

Gibson, Alan Johnston, Lisburn, Co. Antrim

Gilhawley, Shane, Ballymote, Co. Sligo

Gilligan, Frederick William P., Dublin

Green, Edwin David, London

Hanan, Winston Roy, Dublin

Keveny, John Joseph, Easkey, Co. Sligo

Leeson, Norman Henry, Dublin

Loftus, Michael Anthony, Ennis, Co. Clare

Longmore, Desmond John M., Groomsport, Co. Down

McCarthy, John Dermot, Dublin

McCormick, Gerard Anthony, Dublin

McCormick, Rodney, Belfast

Malcolm, Peter John, Dublin

Murphy, Michael Pacelli, New Ross, Co. Wexford

Norton, Kevin Brian, Dublin

O'Brien, Oliver M. L., Dublin

O'Brien, Timothy Henry Peter, Dublin

O'Flynn, Peter Christopher, Galway

O'Neill, Eugene Anthony, Dublin

O'Sullivan, David Joseph, Dublin

Othman, Abdul Aziz bin, Belfast

Quinn, Peter, Derrylin, Co. Fermanagh

Robinson, Robert David Stanley, Gilford, Co. Down

Ross, Robert Thomas James, Carryduff, Co. Down

Savage, Terence Joseph, Belfast

Stanistreet, Myles Arthur M. B., Dublin

Wine, Derek, Dublin

The resignation from membership of Mr Archibald Fairbairn Black, Dublin, was accepted.

Committees

Reports were received from the following committees:

Courses; Dinner; Disciplinary; Examination; Finance & General

Purposes; Future Plans; Premises and Taxation.

INSTITUTE DINNER

The annual dinner of the Institute was held in Dublin on October 12th, and was attended by 170 members and guests, including the Chief Justice, the Hon. Cearbhall O. Dalaigh; the Rt Hon. the Lord Mayor of Dublin, Councillor T. Stafford, P.C.; Dr S. Reamonn, Chairman of the Revenue Commissioners; Mr J. C. B. MacCarthy, Secretary of the Department of Industry and Commerce; Mr T. K. Whitaker, Secretary of the Department of Finance; Professor D. S. Anderson, President of The Institute of Chartered Accountants of Scotland; Mr W. E. Parker, C.B.E., President of The Institute of Chartered Accountants in England and Wales; Mr J. P. Landau, President of The Association of Certified and Corporate Accountants; Mr C. E. Sutton, President of The Institute of Cost and Works Accountants; Mr J. B. Woodham, President of The Institute of Municipal Treasurers and Accountants; Mr A. F. Tempelaar, President of The Nederlands Instituut van Registeraccountants; Mr F. W. Peard, Chairman, Republic of Ireland Committee, The Institute of Cost and Works Accountants; Mr James Walls, President, Irish Branch, The Association of Certified and Corporate Accountants; Mr J. Boylan, President of the Dublin Chamber of Commerce; Mr T. Doyle, immediate Past Chairman of the General Council of the Bar of Ireland; Mr G. H. Dunlop, President of the Northern Ireland Chamber of Commerce; Mr J. J. Fitzsimons, President of The Institute of Bankers in Ireland; Mr G. Jackson, President of the Federation of Irish Industries; Mr A. B. Johnston, President of The Insurance Institute of Ireland; Mr A. G. Larsen, Chairman of the Irish Management Institute; Mr C. W. L. McCaw, President of the Dublin Stock Exchange; Mr C. A. M. Nolan, President of the Cork Chamber of Commerce; Mr Patrick Noonan, Vice-President of the Incorporated Law Society of Ireland.

The toast of the Institute was proposed by the Chief Justice, and the President of the Institute replied.

The toast of the guests was proposed by the Vice-President of the Institute, Mr T. D. Lorimer, F.C.A., and Mr W. E. Parker replied.

Equipment in the Office

Dictating Equipment

A CENTRALIZED dictating system called the IBM PBX Dictation system, enables work from any number of points to be channelled to a central typing area through a PAX or PABX telephone exchange. The system allows every telephone extension to become a dictating point and the equipment comprises a number of IBM 221 central recorders, each with their associated IBM 251 control units and a trunk access link unit.

Using single digit dialling from his extension telephone, the dictator can control start, stop, review/playback and have voice communication with the supervisor. Alternatively, where fitted, the recall button can be used for some of the functions, including repeat backspace.

The system also incorporates a voice-operated relay which, together with the continuously turning belt, ensures there are no gaps in dictation or incomplete words. The voice-operated relay controls the stop/start function automatically without reference to the telephone, thereby enabling the dictator to concentrate on his dictation rather than on machine operation. The letter-end lockout feature ensures complete privacy of dictation enabling anyone to

dictate confidential material knowing that other extension subscribers cannot play it back. In the central typing area, the dictation is played back on an IBM Model 212 transcription unit. To assist the typist, an index slip shows the number of letters on the belt, their length in lines of typing and where any special instructions exist.

IBM United Kingdom Ltd, 389 Chiswick High Road, London W4.

THE Dictaphone Co Ltd has introduced five new machines. The Europa II – an advanced version of the magnetic-belt machine which was introduced to Britain by the company at Olympia last year and which has micro-miniaturized circuitry – has a number of internal improvements. For example, the amplifier is constructed on a detachable-module basis for easy servicing. Outward improvements include an improved carriage mechanism and an easy-to-use microphone of new design.

Europa II is supplied in two models: one, a combined dictating/transcribing machine; the other, a transcribing machine. The combined machine is fitted with a dictate/transcribe lever. When this is in the transcribe position no recording can take place. With the lever in this position it is possible to play back through the microphone or loudspeaker, but impossible to erase the recording accidentally by inadvertently over-recording.

Secondly, there is Dictaphone RD 650 equipment. Similar in appearance to the Europa magnetic-belt Telecord machines, these new remote-control dictation recorders, which use the Dictabelt record as a medium, are designed so that each recording machine and its associated control components are housed in a single casing. This makes for small, compact units. One rack of five machines can be placed within arm's reach of an operator seated at a desk, and are adjustable in height.

Another system is the Telecord Secretarial Tandem system. This remote-control dictation equipment, which consists of pairs of either Europa or Time-Master machines, is designed so that dictators can maintain direct telephone contact with the typists who are transcribing their dictation.

A fourth new machine is called Dictamate. This is a



This secretary is holding in her left hand a Dictaphone magnetic belt for use with Dictaphone's latest machine – the new Europa II (below) – and in her right hand is a Dictabelt record, the transparent blue belt for use with the Dictaphone Time-Master machine.

mains-operated tape transcribing machine designed for the transcription of the small, tape cassettes recorded on Dictamate, the hand-sized portable recorder.

The fifth new Dictaphone series is the Class-Master I equipment. Designed for teaching by oral instruction, it consists of a pair of headphones with an inbuilt small receiver which picks up recordings over a loop aerial. No special transmitter is required; the loop aerial can be connected to any tape recorder or dictating machine. When the equipment is used for the teaching of languages, the headphones have a boom microphone attached so that the wearer can hear the sound of his own voice when he repeats the instructions he hears and so he can compare his efforts with the correct version.

Dictaphone Co Ltd, 1 Knightsbridge Green, London SW1.

Paper Tape Preparation Equipment

NOW available from International Computers and Tabulators Ltd is equipment for improved preparation of paper tape.

Known as the 1027 paper tape punch and 1028 paper tape punch/verifier they provide facilities for the manual preparation of five, six, seven or eight channel paper tape to agreed International Standard codes. Both units resemble a large typewriter and may be located as free standing devices on any suitable desk or table.

The 1027 punch can produce and amend paper tape to be used as direct input to computer systems. It has a standard fifty-five-key alphabetic keyboard plus four function keys. To the rear of the keyboard is a control panel which includes signal lights that display the code group currently being punched, and switches for selecting the appropriate punching code. The complete typewriter-like unit includes a tape storage drawer from which the spooled paper tape is automatically fed.

The 1028 punch/verifier is housed in a unit identical to the 1027, but also has a freestanding paper tape reader associated with it and includes four extra function keys as well as extra switches on the control panel.

The verification procedure of the 1028 works on a 'two-tape' basis. The punched paper tape containing the data to be verified is threaded in the reader unit by the verifying operator who then retypes the data from the original documents. As each character is typed it is automatically checked against the corresponding character in the first tape. If correct, a second tape is punched by the 1028, but, if not, the keyboard locks and the doubtful character is left unpunched.

Having a paper tape reader unit, the 1028 can also be used as for paper tape reproduction. This standard feature permits tapes of seven or eight channels with odd or even parity, or tapes of five or six channels without parity to be reproduced at a speed of twenty-five characters a second.

Electronic Calculations

TO complete the Sharp range of desk-top electronic calculators, there has now been introduced the model 15, which sells at £388. All models are from a basic design so that a large proportion of parts are interchangeable and all models have plug-in printed circuit boards. This provides for easy and quick repair and has enabled BOSCO Ltd (the United Kingdom concessionaires) to distribute Sharps over a wide range of dealers who might otherwise

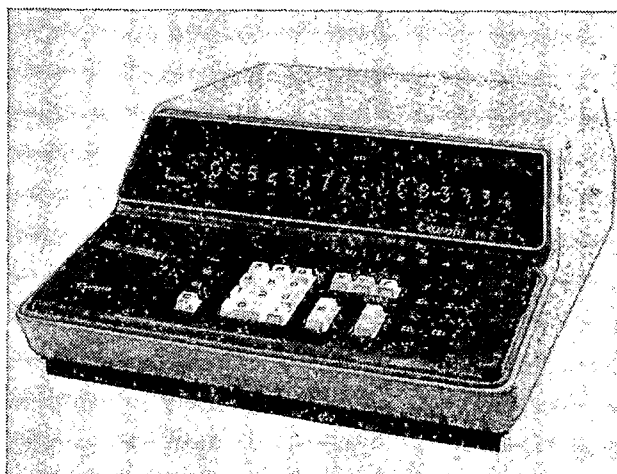
have been prevented from handling them through lack of electronic service facilities.

In spite of its low price, the Sharp 15 has many of the features of the more expensive models (e.g. constant multiplier and divisor etc.) as well as the ability to perform the four arithmetical functions instantaneously.

The machine can be set by the operator to show answers correct to 0, 2, 4 or 6 decimals (including automatic rounding off) and the sequence of key depressions follows the logical sequence, i.e. just as one would write down the calculation on paper.

BOSCO Ltd, 6 Snow Hill, London EC1.

THE Canola 167 is the latest model to join the Block & Anderson range of desk-top calculators. It is a solid-state machine with no tubes of any kind, no motors, gears, levers



The Canola 167 desk-top calculator.

or other mechanical parts to wear out. Robust and transportable; it weighs only 50 lb. and measures $17 \times 23\frac{1}{2} \times 8\frac{1}{2}$ in. Though simple to use, it carries out the most complex figurework with the minimum amount of operator training.

It possesses two direct stores and five separate holding stores. A feature is that the memory units are retained on the magnetic drum even when the machine is switched off. It gives automatic squaring with one single entry and automatic square rooting. It has a clearly defined presentation unit with the easily visible decimal point being self adjusting. The function of the decimal point is automatic, all the operator has to do is to respect the point in the normal way when entering figures.

Block & Anderson Ltd, Banda House, Cambridge Grove, London W6.

Copying and Duplicating

AN offset platemaker of new design is the Itek 910 SS Platemaster. It produces a 9 or 10 in. wide plate in a cycle of only 90 seconds and has been developed for the offset duplication department which uses over 100 masters a week.

The 910 SS takes up less room than an office desk and is, in fact, smaller than a number of office copiers. It is fed by a daylight loading disposable cartridge (rather like a giant 35 mm film cassette) which contains a roll of 187 feet, sufficient for at least 150 offset masters.

Kodak Ltd, 246 High Holborn, London WC1.

Correspondence

Overseas Investment

SIR, - Your leader on Overseas Investment (October 21st issue) recalled the comment that the African economy needed less twentieth-century socialism and more nineteenth-century capitalism. Perhaps this applies to the British economy too?

Two fallacies about overseas investment are widespread. The first is that 'industry' can be taken in a lump. Overseas investment consists of individual projects, made usually by individual companies. There is little point in arguing for or against overseas investment in the abstract. The argument should be about *who* is to decide whether and where to invest.

This leads to the second fallacy - that Governments are better able than the companies concerned to judge the merit of individual investment projects. The record of Government economic 'management' since the war must have disillusioned anyone who ever believed this.

To quote Adam Smith: 'The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.'

Yours faithfully,

London W1.

D. R. MYDDELTON.

Treatment of Losses

SIR, - The statement of Mr Jack Ross (Correspondence, October 14th issue) that the nationalized industries 'lose hundreds of millions of £s every year' should not go unrefuted.

In 1965 the railways incurred a deficit of £132.4 million, but in 1964-65 three other major nationalized industries - coal, gas and electricity - earned a combined profit of £79.4 million, whilst the Post Office reported a surplus of £20.1 million; and B.E.A. and B.O.A.C. both had operating surpluses.

It is true that there has been some deterioration since, with the finances of the declining railway industry causing special concern. It is likely, too, that the newly-nationalized steel industry will show losses at least in the short-term, since the industry was faring badly at the recent vesting date.

On the other hand it should be borne in mind that the

results given above of the nationalized transport, coal, gas and electricity industries are stated after no less than £261 million in interest charges, part of which would be distributed as dividends by way of appropriation of profits under private enterprise.

Yours faithfully,

F.C.A.

Management Ratios

SIR, - I am afraid that readers of Mr D. Robson's article, 'The interpretation of accounts', might be misled when he says that '... corresponding ratios ... for other similar companies ... are unfortunately *seldom* available ...' (paragraph 72, page 450 of your October 7th issue, my italics). The Centre for Interfirm Comparison has now prepared schemes in more than fifty industries and trades, as is shown by the appended list.

As Mr Robson says the management ratios obtainable from this organization are calculated on a comparable and up-to-date basis and not from published accounts.

Incidentally, not only are we constantly extending this list, but we should also welcome suggestions from firms wishing to add to it.

Yours faithfully,

C. A. WESTWICK,

Senior Project Manager,

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INDUSTRIES AND TRADES IN WHICH THE CENTRE FOR INTERFIRM COMPARISON HAS PREPARED IFC SCHEMES

Bedding manufacture	Mains cable manufacture
Biscuit manufacture	Medium/Heavy engineering ¹
Blanket manufacture	Narrow fabric manufacture
Building and civil engineering	Nylon hose dyeing
Carpet manufacture	Paper manufacture
Chemical manufacture	Pharmaceutical manufacture
'C' Licence vehicle operating	Pipework contractors
Clothing manufacture	Plastics moulding
Cotton spinning	Publishers
Cold rolled sections manufacture	Rayon weaving
Confectionery manufacture	Road haulage:
Corn and agricultural merchants	(a) bulk liquid road haulage contractors
Crane manufacture	(b) express carriers
Drop forgers	Rubber manufacture
Electrical contractors	Scientific instrument manufacture
English woollen and worsted industry	Scottish woollen industry
Flexible packaging manufacture	Shirt manufacture
Food manufacture	Soft drinks manufacture
Footwear manufacture	Structural steelwork (fabrication and erection)
Fork lift truck manufacture	Tank and industrial plant contractors
Furniture warehousing and removing	Throwsters
Glass container manufacture	Timber engineers
Joinery manufacture	Timber importers
Leather dressing	Timber merchants
Light engineering ¹	Valve manufacture (industrial)
Machine tools manufacture	Warp knitting
	Stockbrokers

¹ Covering various types and size groups.

Solicitors and Taxation

SIR, - I note that the Law Society has recently published a leaflet advising lay persons to see a solicitor about income tax, surtax, stamp duty, capital gains tax, corporation tax, etc. The leaflet states, amongst other assertions, that the solicitor has a thorough knowledge of the complex laws of corporation tax and that he is an expert in arranging taxation affairs generally so that one does not pay more than is legally necessary.

I am wondering whether the Law Society has issued the leaflet to all solicitors with the implication that they are all experts in these matters. It has been known for some solicitors to go to accountants for taxation advice.

Yours faithfully,

Manchester.

J. ROSS.

Brain Drain

SIR, - One of the main reasons why British industry is losing so many bright young technocrats is glossed over by the Jones Committee - but everyone knows the answer - penal taxation!

The disincentive effect of taxation in Britain today is undoubtedly the root cause of the brain drain - and of our economic stagnation. Until we elect a Government strong enough to control the Whitehall tax collectors we will not prosper in any economic field.

Yours faithfully,

K. B. HEMMING, F.C.A.

Little Carlton, Lincs.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS EDWARD BEDELL, JAMES & Co, Chartered Accountants, and Messrs BOYER, THWAITES & Co, Chartered Accountants, both of 28 Queen Street, Manchester 2, who have been associated for over ten years, announce that as from October 1st, 1967, they have amalgamated their practices under the name of BEDELL, THWAITES & Co, at the same address. Mr EDWARD S. BEDELL, F.C.A., has retired from practice but will be available as a consultant.

MESSRS T. & H. P. BEE, Chartered Accountants, announce the retirement on October 31st, from their Fleetwood

and Blackpool partnerships of Mr KENNETH RICHMOND, F.C.A. He leaves to take up a local appointment in commerce.

MESSRS BOWKER, STEVENS & Co AND EDWARD STOKES & Co, Chartered Accountants, of Griffin House, 18-19 Ludgate Hill, Birmingham 3, announce that Mr STANLEY TICKLE, F.C.A., retired from practice on September 30th, 1967, after twenty-five years as a partner in the firm. In the immediate future Mr TICKLE will remain in the Birmingham area and will be available for consultation by appointment. This firm will be continued by the remaining partners under the same name.

MESSRS FINNIE, ROSS, WELCH & Co, Chartered Accountants, of 31 St Paul's Churchyard, London EC4, and 140 West George Street, Glasgow C2, announce that Mr CHRISTOPHER C. NORLAND, A.C.A., and Mr MICHAEL ROSS, A.C.A., were admitted into partnership on November 1st, 1967.

MESSRS THURLOW, CRUMP & Co, Chartered Accountants, Lindsey House, 40-42 Charterhouse Street, London EC1, deeply regret to announce the death of Mr CYRIL EDWARD THURLOW, F.C.A., on October 20th, 1967. The practice will be continued by the remaining partners.

MESSRS WHITEHILL MARSH JACKSON & Co, Chartered Accountants, announce with profound regret the death of their senior partner, Mr RONALD CHARLES GOODALL TIBBLES, D.F.C., B.COM., F.C.A., on October 27th, 1967.

MESSRS WOOTTON, PATTINSON & HANDLEY, Chartered Accountants, and Messrs PONSFORD & TINNISWOOD, Chartered Accountants, of Winchester, announce that from November 1st, 1967, they have merged their practices under the style of Messrs PATTINSON, HANDLEY & TINNISWOOD in association with Messrs LANDAU, MORLEY & SCOTT. The partners of the new firm comprise the partners of the two existing firms. The combined practice will be carried on from 17 St Peter Street and 12 Southgate Street, Winchester.

Appointments

Mr T. Bretherton, F.C.A., has been appointed finance director of The British Hovercraft Corporation.

Mr D. P. Cooper, F.C.A., has been appointed to the board of G. J. Keddie & Sons Ltd.

Mr R. L. Jackson, A.C.A., has been appointed financial executive and secretary of Northern Ireland Railways Co Ltd.

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REVALUATION OF ASSETS
WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Mr G. C. Jones, O.B.E., F.C.A., F.I.M.T.A., has joined the board of Long, Till & Colvin Ltd, local authority loan and mortgage brokers; he will be a full-time director at the London office.

Mr W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A., F.C.I.S., has been appointed secretary of Decca Ltd and group comptroller.

Mr Anthony Walker, F.C.A., has been appointed a director of Granada Group Services.

Mr R. A. Wright, A.C.I.S., A.A.C.C.A., has been appointed secretary of Davenports C.B. & Brewery (Holdings) Ltd, John Davenport & Sons Brewery Ltd and Dares Brewery Ltd.

COMPANIES (FEES) REGULATIONS 1967

The fees (of £1 or 10s) payable on the registration with the Registrar of Companies of mortgages, debentures, or other charges, have been abolished with effect from October 28th under the Companies (Fees) Regulations 1967. In addition the 5s fee for registering the appointment of a receiver or manager is also abolished.

The regulations revoke the Companies (Fees) No. 1 Order 1929 (S.R. & O. 951/1929) and the Companies (Fees) (Scotland) Regulations 1961 (S.I. 1961/1974), under which these fees were formerly prescribed.

The fee of 1s for inspecting the register of charges remains unchanged.

Copies of the new regulations (S.I. 1967 No. 1557) are available from H.M. Stationery Office, price 3d.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday, November 6th, in the vestry of St Mary Woolnoth Church, King William Street, London EC3. The Scripture for reading and thought will be Luke, Chapter 12, verses 16 to 21.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday, November 8th, at Williamson's Tavern, Bow Lane, Cheapside, London EC4, at 5.45 for 6 p.m. The subject for discussion will be 'Physical distribution'. Mr J. H. B. Wilmot, of Whitbread Co Ltd, will open the discussion.

AUDIT AND STATISTICS DISCUSSION GROUP

The next meeting of the Audit and Statistics Discussion Group of the London and District Society of Chartered Accountants will be held on Wednesday, November 15th, at the Lord Raglan, 61 St Martins-le-Grand, EC1, at 6 p.m. for 6.15 p.m., when there will be a discussion on 'Auditing the Companies Act 1967'.

IN PARLIAMENT

Close Companies: Taxation

Mr TURTON asked the Chancellor of the Exchequer whether he is aware that his assurance that cash earmarked by close companies for expansion would not be taxed under the provisions of section 77, Finance Act 1965, is being disregarded by the Inland Revenue, and whether he will now issue instructions that the terms of his assurance must be fulfilled.

Mr HAROLD LEVER: Section 77 specifically provides for a company's development requirements to be taken into account in calculating shortfall. I have received no information to suggest that this provision of the law is being disregarded by the Inland Revenue.

Hansard, October 24th, 1967. Written answers, col. 424.

Income Tax Legislation

Mr BARNETT asked the Chancellor of the Exchequer when he expects to introduce a new Income Tax Act consolidating all the new tax measures introduced since the Income Tax Act 1952.

Mr CALLAGHAN: A Bill to consolidate the capital allowance provisions will be introduced at the beginning of next Session. Work is now in progress on the consolidation of the rest of the Income Tax and Corporation Tax law. Preliminary legislation in a Finance Bill will

probably be needed; I cannot be definite at this stage, but I hope that it may be possible to introduce the consolidation Bill in time to come into force on April 6th, 1970.

Hansard, October 23rd, 1967. Written answers, col. 389.

Short-Term Capital Gains: Revenue

Mr SHELDON asked the Chancellor of the Exchequer what is his latest estimate of the revenue from short-term capital gains.

Mr HAROLD LEVER: The latest year for which figures are available is 1965-66 in which the yield is estimated to have been £3 million.

Hansard, October 24th, 1967. Written answers, col. 426.

HANSARD: NEW PRICES

Notice of new increased prices for *Hansard*, which has been selling at much below cost for many years, was given in a written answer to the House of Commons on Thursday, October 26th.

The price of the daily edition will be raised to 2s 3d, and that of the weekly edition to 7s, with corresponding increases in the price of indexes, Standing Committee Debates and subscription rates. The increase will operate from the beginning of the new session and, it is estimated, will reduce the losses by about £20,000.

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**SOUTHERN SOCIETY OF
CHARTERED ACCOUNTANTS****Future Meetings**

The next meeting of Southampton and Portsmouth members of the Society will be held on November 9th, at 6 p.m., at Botleigh Grange Hotel, Botley, when Mr K. S. Carmichael, F.C.A., will speak on 'Estate duty mitigation'.

Bournemouth members will meet on November 14th, at 6.45 p.m., at the South Western Hotel, Bournemouth, when the subject will be 'Problems of adapting existing machines to decimal coinage', and on the following day there will be a meeting of Salisbury members at the Red Lion Hotel, Salisbury (tea 5.30 p.m.), when the subject will be 'The lending banker', by the manager of Lloyds Bank Ltd.

A meeting of the Farnborough, Aldershot and Alton Local Group of the Society will be held at the premises of The Solartron Electronic Group Ltd, Farnborough, Hants, on Tuesday, November 14th, at 7 p.m., when the speaker will be Mr Halmer Hudson, F.C.A., on the subject: 'The horrors of section 77 (6) of the Finance Act 1965, or how I learned to stop worrying about shortfalls and live with paragraph 11, Schedule 18 of the Act'. Refreshments will be available.

The Honorary Secretary of the Group is Mr R. M. Hunt, A.C.A., of 91 Pierrefondes Avenue, Farnborough, Hants.

**NORTHERN SOCIETY OF
CHARTERED ACCOUNTANTS**

The annual dinner of the Northern Society of Chartered Accountants will take place on November 9th at The Mayfair Ballroom, Newgate Street, Newcastle upon Tyne.

On November 13th, a luncheon meeting for members of the Society will be held at the County Hotel, Neville Street, Newcastle upon Tyne, at 12.45 p.m., and on Saturday, November 18th, a one-day taxation course is to be held at the Rutherford College of Technology, Northumberland Road, Newcastle upon Tyne. Addresses will be given on corporation tax and capital gains tax by Mr E. J. W. Bridges, F.C.A., and Mr N. S. Todd, F.C.A.

**BOURNEMOUTH CHARTERED ACCOUNTANT
STUDENTS' SOCIETY**

The Bournemouth and District Chartered Accountant Students' Society held a dinner at the East Cliff Court Hotel, Bournemouth, on October 20th, when the principal speaker was Lord Shackleton, Minister without Portfolio.

Lord Shackleton said that the accountancy profession had a most important role in assisting management to keep on course, and that it had been his own experience that regular attendance by accountants during the course of the year was of great help to directors in running a business.

He felt that it was most important for the new generation of accountants to be familiar with all the modern techniques of budgetary control, critical path analysis, PERT and discounted cash flow as these were the tools that enabled management to make its decisions with the best possible information at its disposal.

Lord Shackleton went on to say that the role went further than this and that it was necessary for the profession to present information to Government departments to assist them in coming to their decisions. While he praised the expertise of the professional civil servant in his own field, he did not feel they had the training in analysis and presentation of information in a form which would be of most help to those responsible for making decisions. It was here that he believed the accountancy profession would be of greatest assistance.

Mr Robert McNeil, F.C.A., a Past-President of the Institute, spoke of the great strides being taken by the Institute to ensure that future candidates attained a high educational standard, including a more thorough training in the techniques referred to by Lord Shackleton.

Brain drain

Continuing, Mr McNeil said that a 'brain drain' was not only created by emigration: it was caused if a wasteful use was made of technical talent so preventing expertise being fully available for the benefit of the community. He added that by reason of recent Acts of Parliament, implemented by bureaucrats, the profession was being 'driven frantic' providing computations, statistical in-

formation and filling up innumerable forms which were of little value.

Since 1965 accountants had had to deal with the complexities of corporation tax, capital gains tax (which was still producing no net revenue), S.E.T., incentive grants, industrial training schemes and many others.

'We now have a new Companies Act which is to be followed by yet a further instalment. This new Act calls for a great deal of additional information and disclosure of turnover, directors' fees, net profit and valuations of property', he said.

Small companies

Mr McNeil stated that accountants were ready and willing to give full information to shareholders and creditors but such information could be used to the detriment of the small company, either by competitors - often large businesses - or by the take-over expert.

'A large business, with say one hundred shops, giving its turnover and profit will show little actual detail, but a single shop business in Bournemouth giving its results will pin-point its trade, directors' fees and profitability, and provide all the information to a competitor to that small concern's disadvantage.

'Clearly the disclosure provisions work unfairly and from an accountant's viewpoint will absorb still further hours of his time which he would like to spend providing technical help by management accounting in the techniques mentioned by Lord Shackleton for the lasting benefit of industry and commerce', declared Mr McNeil.

The toast of 'The Guests', was proposed by a member of the Students' Society, Mr Brian Ford, and the response was made by Mr Kenneth Brumfitt.

Lord Shackleton then presented sporting trophies and awarded ties for meritorious service to the Students' Society. Those receiving awards were:

Ties: Mr David Bell, Miss Patience Gow, Mr Tim Haddleton, Mr Colin Skipton.

Tennis singles: Mr Michael Pegrum.

Tennis doubles: Mr Tim Haddleton and Mr Ken Large.

Squash: Mr David Musker.

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS IN ENGLAND AND
WALES****Members' Library**

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Charlesworth's Mercantile Law; by J. Charlesworth: 11th edn. by C. M. Schmitthoff and D. A. G. Sarre. 1967. (Stevens, 35s.)

Farm Accounting and Management; by F. Sturrock: 5th edn. 1967. (Pitman, 27s 6d.)

Finance Act 1966: Selective Employment Payments Act 1966: Industrial Development Act 1966; (by D. Bruce-Jones and others). 1966. (Butterworths.)

Financing Agriculture Co-operatives. (Maxwell Stamp Associates). 1967. (Agricultural Co-operative Association, 42s.)

Guide to Company Balance Sheets and Profit and Loss Accounts; by F. H. Jones: 6th edn. Cambridge. 1964. Supplement . . . Containing all the relevant accounting requirements of the Companies Act 1967. 1967. (Heffer, 63s & 10s.)

International Accounting; by G. G. Mueller. New York. 1967. (Macmillan, 63s.)

An Introduction to Evidence; by G. D. Nokes: 4th edn. 1967. (Sweet & Maxwell, 77s 6d.)

The Law of the Parish Church: An account of the power . . . of the . . . parochial church council . . .; by Sir W. Dale: 4th edn. 1967. (Butterworths, 32s.)

Management Policies II: sourcebook of statements; by M. V. Higginson. [New York. 1966.] (American Management Association, 108s.)

The New Industrial State; by J. K. Galbraith. 1967. (Hamish Hamilton, 42s.)

Partners for Profit: a study of franchising; by J. H. Curry (and others). New York. 1966. (American Management Association, 60s.)

An Outline of the Law of Mortgages; by G. D. Nokes: [4th] edn. by B. Rudden and H. Moseley. 1967. (Estates Gazette, 52s 6d.)

Practising Accountants in Australia: an analytical study; by R. Gynther. St Lucia, Queensland. 1967. (University of Queensland Press, 90s.)

Product Management in Action; edited by R. H. Offord. 1967. (Business Publications, 35s.)

Selected Studies in Modern Accounting . . . reprinted from the Journal of Accountancy. (American Institute of Certified Public Accountants). New York. 1967. (A.I.C.P.A., 16s 6d.)

Value Analysis: Value Engineering: the implications for managers; edited by W. D. Falcon. New York. 1964. (American Management Association, 54s.)

**INTERNATIONAL FISCAL
ASSOCIATION**

'The tax code of a developing country: Malaysia', will be the subject of a talk to be given by Mr Leslie Varty, C.B.E., Principal Inspector of Taxes, Inland Revenue, and formerly Comptroller General, Inland Revenue, Malaysia, at the next meeting of the British Branch of the International Fiscal Association to be held on November 8th, at 6 p.m., at Westminster House, 2 Stanley Street (off Millbank), London SW1.

Further information regarding the work of the Association and the activities of the British Branch are available from the Secretary, Mr Geoffrey J. Bellenie, 6 St James's Square, London W1.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

MONDAY AND TUESDAY, NOVEMBER 6th and 7th.

9 a.m. - 5 p.m. Mechanized Accountancy Course for members who have taken the Intermediate.

WEDNESDAY, NOVEMBER 8th.

6 p.m. Speakers' Course: Audience control, in the Society's Common Room, 43 London Wall, EC2. All inquiries should be sent to Miss Ann Dent, c/o The Library.

**CHARTERED ACCOUNTANTS'
GOLFING SOCIETY**

The autumn meeting of the Chartered Accountants' Golfing Society was held at Walton Heath Golf Club on September 29th. The weather was very changeable but both courses were in excellent condition.

The meeting attracted an entry of sixty members and the leading scores were as follows:

<i>Stableford Medal</i>		<i>Points</i>
D. C. Honey (10) Won First Prize	.. ..	39
D. C. Urry (11) Won Second Prize (on last 9)	.. ..	38
D. G. Richards (14) Won Third Prize	.. ..	38
R. B. Drummond (4)	.. ..	37
A. W. Coleman (12)	.. ..	37
N. Grenfell (15)	.. ..	37
M. T. W. Easby (3)	.. ..	37
J. B. Walsh (15)	.. ..	35
N. W. Collett (14)	.. ..	35
K. Ward-Lilley (10)	.. ..	35
(57 played)		

<i>Stableford Foursomes</i>		<i>Points</i>
W. B. Henderson (8) and A. W. Coleman (12) Won First Prize (on last 9)	.. ..	37
J. Solkhon (18) and L. C. Harman Won Second Prize	.. ..	37
R. Anderson (1) and B. W. Durrant (5)	.. ..	36
(56 played)		
M. T. W. Easby (3) Won Scratch Prize	.. ..	34

The A. T. Turquand-Young Challenge Cup for the best aggregate at the summer and autumn meetings was won by D. C. Urry with 34 points at Porters Park and 38 points at Walton Heath, a total of 72 points.

**CHARTERED ACCOUNTANTS'
HOCKEY CLUB**

The Chartered Accountants will play the Chartered Surveyors next Wednesday, November 8th, at Grove Park. The match will start at 2.30 p.m.

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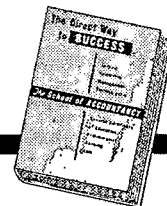
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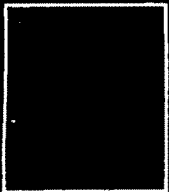
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Your courses diary 1967-1968

One of a series of advertisements designed to remind members and non-members of the extensive facilities available.

INSTRUCTIONAL COURSES organised by the Institute are open to all members, and non-members when sponsored by a chartered accountant. The following list indicates residential courses for 1968. A series of shorter non-residential courses are now being planned. Full details and application forms are sent, prior to the courses, to all members of

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No.	Subject		Dates of Series	Duration of each Course	Planned Size	Location
1968						
1	Systems Analysis	Between	4 & 11 January	4 days	3 x 50	Hotel Metropole, Brighton
2	Tax	Between	18 & 25 February	3 days	4 x 50	Hotel Metropole, Brighton
3	E.D.P.	Between	23 & 30 March	5 days	3 x 50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1 x 70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3 x 50	Hotel Metropole, Brighton
6	Summer Course		11-16 July	5 days	1 x 200	Christ Church, Oxford
7	Summer Course		18-22 September	4 days	1 x 200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on - see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3 x 50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4 x 50	Hotel Metropole, Brighton

• For members only.



THE ACCOUNTANT

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Government Gap

IN this issue we reproduce a newly published memorandum by the Accountants' Joint Parliamentary Committee on the role of professional accountants in the Civil Service. It would seem from the employment statistics quoted in this document that the rôle is a very small one – no more, indeed, than a walking-on part. The non-industrial whole-time staff of the Civil Service numbers 800,000 and embedded somewhere in that vast agglomeration are a mere 350 qualified accountants – or there would be if about eighty of the posts did not remain vacant because the conditions attached to them do not attract applicants of the required calibre.

This sorry state of affairs contrasts strikingly with the situation in Canada where the Government's Department of National Revenue (the equivalent of the Inland Revenue in the United Kingdom) is stated to be almost certainly the largest single employer of chartered accountants in that country. Moreover, qualified accountants are to be found in almost every other department of the Canadian Government engaged in a wide range of activities appropriate to their calling. This happy arrangement is possible because conditions of employment compare favourably with those in large Canadian industrial corporations.

The A.J.P.C. memorandum points out that not only are professional accountants in the Civil Service inadequately paid but that their opportunities for gaining promotion to the administrative and executive classes which would enable them to exercise their talents for general financial management and control are virtually non-existent. If the standards of Government accounting were equal to those of the best run industrial companies, the ban would seem less illogical but, as everyone knows, the form of the nation's accounts is painfully primitive and cries out for radical reform.

Inexplicably, the last committee to investigate this possibility, reporting in 1951, upheld the archaic system which has remained substantially unaltered for over a hundred years but did make certain positive recommendations regarding its administration, including the employment of carefully selected accountants to improve and develop Government accounting and the appointment of a top accountant to the staff of the Treasury offices of accounts. Neither of these proposals was adopted and, as late as 1964, it was disclosed in the House of Commons at question time that the Treasury, in which solicitors and economists abound, employs only one chartered accountant. It is high time the United Kingdom took a maple leaf out of Canada's book in this most important matter.

COMPANIES ACT 1967

Unlimited Companies – III

IT was stated in the previous article that the application for re-registration of an existing limited company as unlimited must be accompanied by the prescribed form of assent 'subscribed by or on behalf of *all* the members of the company'.

A question could arise, however, as to whether the shareholding of a dissident minority shareholder could, at a fair value, be expropriated under a suitable article designed for the purpose of enabling the application for re-registration of the company as unlimited to proceed in accordance with the wishes of the majority of the members. Could the validity of the resolution altering the articles and the expropriation of the minority shareholding be successfully challenged in the Courts? The answer is somewhat uncertain.

In *Sidebottom v. Kershaw, Leese & Co Ltd* ([1920] 1 Ch. 154) a company which carried on the business of cotton spinners passed a special resolution introducing a clause into the articles of association whereby a person carrying on 'any business which is in direct competition with the business of the company' could be required to sell out his shares to nominees of the directors upon payment of the fair value of the shares at a price to be certified by the auditors. This resolution was plainly directed against the plaintiffs who were a partnership carrying on a business competitive with that of the company; but the Court of Appeal held that it was in the interests of the company as a whole to be protected against competition and it upheld the resolution.

The above case must be contrasted with the decision of ASTBURY, J., in *Brown v. British Abrasive Wheel Co* ([1919] 1 Ch. 290) where the majority shareholders held 98 per cent of the shares and the minority held 2 per cent. The company passed a resolution that a shareholder, upon the request of the holders of nine-tenths of the issued shares, should be bound to sell and transfer his shares to the nominees of the majority holders at a fair value. ASTBURY, J., held that the alteration of the articles was not for the benefit of the company but for the benefit of the majority, and he granted an injunction against the company prohibiting it from carrying out the resolution.

The true distinction between these two cases is said by *Palmer's Company Law*, twentieth edition, page 500, to be that in *Sidebottom's* case the expropriating

article was not discriminatory in character and, in appropriate circumstances, would likewise have operated against the majority, whereas in the *British Abrasive Wheel* case the article was 'plainly and unashamedly discriminatory'.

The reference in section 43 (3) (a) to the prescribed form of assent being 'subscribed by or on behalf of all the members of the company' would seem to validate a special article enabling an application for re-registration as unlimited to be made so long as the application is approved by members holding, say, 90 per cent of the company's shares, in which event the directors are empowered to assent to the application 'on behalf of' the remaining shareholders. Possibly, in some cases, a practical solution may be for dissentient members of the limited company to sign the form of assent to the company's application for re-registration as unlimited, and then to surrender their shares after the company has achieved unlimited status, provided that the shares of the dissentients are not sufficient in number to cripple the working of the company.

It has been pointed out earlier that, subject to compliance with certain conditions, an unlimited company is excepted from the requirements imposed by section 127 of the Companies Act 1948 to annex a copy of the company's accounts and directors' report to the annual return to the Registrar of Companies. These conditions are set out in section 47 of the Companies Act 1967 and are as follows:

- (a) that at no time during the period to which the annual return relates had the unlimited company been, to its knowledge, the subsidiary of a company that was then a limited company, nor would it have been the subsidiary of a limited company during such period if shares held or powers exercisable by or on behalf of two or more limited companies had been held by only one of them;
- (b) that at no such time had the unlimited company been the holding company of a limited company; and
- (c) that at no such time had the unlimited company been carrying on business as the promoter of a trading stamp scheme within the meaning of the Trading Stamps Act 1964.

In all three cases references to a company that was limited at a particular time are to be construed as referring to a body corporate whether incorporated under the law in force in Great Britain or the law in force elsewhere, the liability of whose members was at that time limited.

Of course, if a company is not or does not become unlimited, section 47 of the 1967 Act will not apply to it and after January 26th, 1967, when section 2 of the 1967 Act comes into operation, former exempt private companies will have to comply with the provisions of

the 1967 Act regarding the filing of accounts. The three Institutes of Chartered Accountants together with The Association of Certified and Corporate Accountants recently asked the Board of Trade for clarification of the position regarding the filing of accounts under the 1967 Act by former exempt private companies after January 26th, 1968, where the accounts are made up to an earlier date¹. The Board has replied as follows:

'Whether accounts must be attached to an annual return made up to a date before January 27th, 1968, but forwarded to the Registrar of Companies after January 26th, 1968, by a company which was at the date to which the return was made an exempt private company is not, in the Board of Trade's view, wholly free from doubt. The Board themselves would not in such a case take any action against the company by reason only that accounts are not annexed to the return, provided that a certificate in the usual form (i.e. stating that the company satisfied the exemption provisions of section 129 of the Companies Act 1948) is sent with the return.'

Before leaving section 43 of the 1967 Act it may be pertinent to observe that because unlimited companies are not compelled to have a share capital, the whole of the share capital may be returned to the members on the re-registration of the limited company as unlimited; or the unlimited company, unlike limited companies, may have shares of no par value. A limited company cannot re-register under section 43 if it had previously become a limited company under section 44 of the Act (to be referred to later); but if it does re-register as an unlimited company that will not in any way change its legal personality, even though it changes its name, since it will still have the same assets and liabilities.

But the form of transfer used in the case of an unlimited company will generally be different from that used in the case of a limited company, since the transferor will probably require an indemnity from the transferee in respect of any future liability of the transferor as from the date of execution of the transfer. This is because, on a winding-up, a past-member will, under section 212 of the 1948 Act, be liable to contribute to the assets of the company if he was a member during the previous year, provided it appears to the Court that the existing members are unable to satisfy the contributions required to be made by them in pursuance of the Act.

In the case of a limited company no contribution will be required from a member exceeding the amount unpaid on the shares in respect of which he is liable, but in the case of an unlimited company this limitation will not apply. However, a person who was a past member of a limited company and who transferred his shares before the company re-registered as unlimited will not be liable to contribute on a winding-up after the company becomes unlimited except to the extent

of the amount unpaid on the shares when the company was limited.

Under section 19 of the 1948 Act, associations formed for the purpose of promoting commerce, art, science, religion, charity or other useful object may apply to the Board of Trade for a licence to dispense with the word 'limited' after their name. Such associations are not to be confused with unlimited companies. They retain limited liability and the provisions of the Companies Acts 1948 and 1967 apply to them as they do to other limited companies.

Under section 16 of the 1948 Act, an unlimited company might register under that Act as limited; a company limited by shares might re-register as a company limited by guarantee and vice versa, and a company limited by guarantee and not having a share capital might re-register as a company limited by guarantee and having a share capital and vice versa. But as from October 27th, 1967, no company may register or re-register under section 16 of the Act except upon an application made before that date.

Under section 44 of the 1967 Act a company which, on October 27th, 1967, is registered as unlimited or is thereafter so registered (otherwise than by way of re-registration under section 43 of the 1967 Act) may be re-registered under the 1948 Act as limited if a special resolution that it should be so registered is passed. The resolution must state the manner in which the liability of the members of the company is to be limited and, if the company is to have a share capital, what that capital is to be.

If the company is to be limited by guarantee, the resolution must provide for the making of such alterations in its memorandum of association and such alterations in and additions to its articles of association as are requisite to bring them both in substance and in form into conformity with the requirements of the 1948 Act as to what such a company's memorandum and articles should contain as to the mode of limitation of liability and possession of a share capital or the want of it.

If the company is to be limited by shares, the resolution must provide for the making of such alterations in its memorandum as are requisite to bring it both in substance and in form into conformity with the requirements of the 1948 Act as to what such a company's memorandum should contain, and also provide for such alterations in and additions to its articles as are requisite in the circumstances.

The application must be in the form to be prescribed by regulations made by the Board of Trade by statutory instrument. It must be signed by a director or by the secretary of the company and lodged with the Registrar of Companies together with a revised print of the memorandum and articles of association as altered.

¹ See page 635 of this issue.

The application and accompanying documents must be lodged with the Registrar not earlier than the day on which the copy of the special resolution required to be forwarded to the Registrar under section 143 of the 1948 Act is received by him.

The Registrar must retain the application and accompanying documents and if approved must issue a certificate of incorporation appropriate to the status to be assumed by the company. Upon the issue of the certificate, the status of the company will be changed by virtue of it from unlimited to limited, and the altera-

tions in the memorandum specified in the resolution and the alterations in and additions to the articles so specified will then take effect.

A certificate of incorporation issued by virtue of section 44 will be conclusive evidence that the requirements of the section with respect to re-registration and of matters precedent and incidental to the registration have been complied with, and that the company was authorized to be re-registered under the 1948 Act in pursuance of section 44 of the 1967 Act and was duly so registered.

A New Policy?

THE variable fortunes of the nationalized industries have been fair game for the politicians of both sides of Parliament, but in recent years there has emerged a clear recognition that whether nationalized or not, these industries must be made to work efficiently.

Their very size demands an effective contribution to economic growth. Their net assets – including those of the newly nationalized steel companies – total nearly £12,000 million and they invest annually as much as the whole of the private industrial sector, i.e. nearly £1,700 million. They produce about 11 per cent of the gross national product and employ 8 per cent of the total labour force.

In the light of these facts it is hardly surprising that the Government should have reviewed the financial basis of the nationalized sector in a new White Paper, *Nationalised Industries: A Review of Economic and Financial Objectives* (Cmnd 3437). The framework of policy within which these industries are to work is described in the following terms:

‘The aim of strengthening the United Kingdom economy can only be achieved if resources are more economically used and more efficiently deployed than in the past and all undertakings fully observe the Government’s policy on prices and incomes.’

Such monumental platitudes – and there are others in the White Paper – may be forgiven as part and parcel of any political *pronunciamiento*, if the means of achieving those objectives are clearly formulated.

The basic policy, according to the White Paper, ‘comprises ‘changes in working methods’, which require ‘considerable flexibility of approach by both sides of industry to manning questions, and there can be no room for inefficient, outdated or restrictive practices . . .’. In other words, something must be done to stop the over-manning which is so prevalent in United

Kingdom industry and, not least, the nationalized industries, if costs are to be brought down.

Nobody disputes this. The outside observer who, over the years, has followed the interminable and largely abortive discussions on such matters between unions and management may be forgiven for asking what it is that has now changed and will ensure that labour will be used more efficiently. Certainly there is no hint in the White Paper about this matter.

The White Paper is, however, somewhat more forthcoming on the future basis of investment decisions. It is intended that henceforth all investment should show a satisfactory return in commercial terms. In appraising the prospective return, discounted cash flow techniques are recommended. The rate of discount to be used represents the minimum rate of return to be expected on marginal low risk projects undertaken for commercial reasons. The Government has decided that 8 per cent is a ‘reasonable figure’ for this purpose in present circumstances.

The White Paper rightly notes that ‘correct methods of investment appraisal’ will only be effective if the industries ‘adopt pricing policies relevant to their economic circumstances’. Apart from being subject to review by the National Prices and Incomes Board, the industries will not be subject to any Government interference in the day-to-day management or their right to propose price increases.

The Prices Board will be strengthened to enable it to make the necessary inquiries into the efficiency of the industries whose proposals are referred to it. It will be interesting to see whether the Board will be allowed to make the same case for the nationalized industries as it has been able to make in connection with the proposed increase in the price of the *Daily Mirror*.

The reader will not be surprised to learn that the new policy is essentially ‘flexible’. Clearly labour and social, as well as economic, considerations will at all times need to be taken into account in ‘seeking to obtain the maximum return in terms of the production of goods and services’.

Current Affairs

Companies Act 1967

BRIEF details of those sections of the Companies Act 1967 which came into effect on October 27th were set out in last week's issue under Current Affairs, and included references to sections 27 and 33.

The provisions of section 27 (obligation of a director of a company to notify the company of his interest in the shares in, or debentures of the company and of certain associated companies) are subject to any exceptions for which provision is made by regulations made by the Board of Trade, and the Board has now made regulations¹ which provide that the section shall not apply in respect of:

- (i) certain interests in shares or debentures of persons who are co-trustees of the Public Trustee;
- (ii) interests in shares of a private company which arise solely on account of a limitation imposed by the memorandum or articles of association of the company on a person's right to dispose of a share.

Section 33 requires a person who is interested in 10 per cent or more of any class of the share capital of a quoted company which carries unrestricted voting rights to notify the company of his interest. The company is required by section 34 to enter the interests notified to it on a register which is open to inspection by the public. Section 33 (4) (e) enables the Board of Trade to prescribe interests which are to be disregarded and the Board has now made regulations² that so prescribe:

- (i) the interests of the Public Trustee;
- (ii) the interests of certain insurance or banking companies, or subsidiaries of insurance or banking companies, which are interests of the company in its capacity as trustee or personal representative of any trust or estate.

Both regulations came into force on October 27th and were published on November 2nd. Copies may be obtained from H.M. Stationery Office (price 3d each or 6d by post).

¹ The Companies (Disclosures of Directors Interests) (Exceptions) No. 1 Regulations 1967, S.I. 1967, No. 1594.

² The Quoted Companies (Disclosure of Share Interests) (Exclusions) No. 1 Regulations 1967, S.I. 1967, No. 1595.

Treatment of Dividend Shortfall within a Group

THE Inland Revenue announced this week that they are prepared to accept that, where a group of close companies so wishes, all distributions within the group for all periods shall be included in the distributable profits of the periods for which they are payable (apart from a distribution made more than twelve months after the end of the period). For this purpose a group of companies will be regarded as consisting of a parent company which is not itself a subsidiary of another company, and all companies (including companies not resident in the United Kingdom) which are subsidiaries of that parent ('subsidiary' being interpreted in accordance with paragraph 9 (1) of Schedule 12, Finance Act 1965 as modified by paragraph 9 (2) (b), but excluding companies within paragraph 7 (1)).

Where a group of close companies wishes to adopt this basis it will be required to give an undertaking that the basis will be adhered to irrevocably as long as companies remain within the group. To avoid transitional difficulties it is expected that the decision on whether to adopt this basis would be taken with effect from the accounting period in which a group came into being, and with effect from the first accounting period ending after April 5th, 1966, in the case of an existing group.

The effect of the new basis may be illustrated as follows. In the year ended December 31st, 1968, a close parent company receives dividends of £50,000 declared by its subsidiaries for the year ended December 31st, 1967. The parent declares a dividend of £45,000 for the year ended December 31st, 1967, and pays this during the year ended December 31st, 1968. If the group adopts the basis described above, the dividends of £50,000 from the subsidiaries will be included in the distributable profits of the parent (for shortfall) for the year ended December 31st, 1967, and not for the year ended December 31st, 1968.

Workmen Succeed in Redundancy Pay Appeal

FOUR workmen have appealed successfully to the Divisional Court against a refusal by the Industrial Tribunal to order redundancy pay to be paid to them (*Hanson and Others v. Wood*). Mr Wood, the employer, employed the four appellants, two apprentices and a clerk in the trade of process engraver at Northampton. In July 1966, following the credit squeeze, the trade fell off and Mr Wood was losing money. He could not dismiss any single one of the four individuals as each performed a different task. He suggested therefore that each should work thirty-two and a half hours a week instead of forty and receive correspondingly less pay.

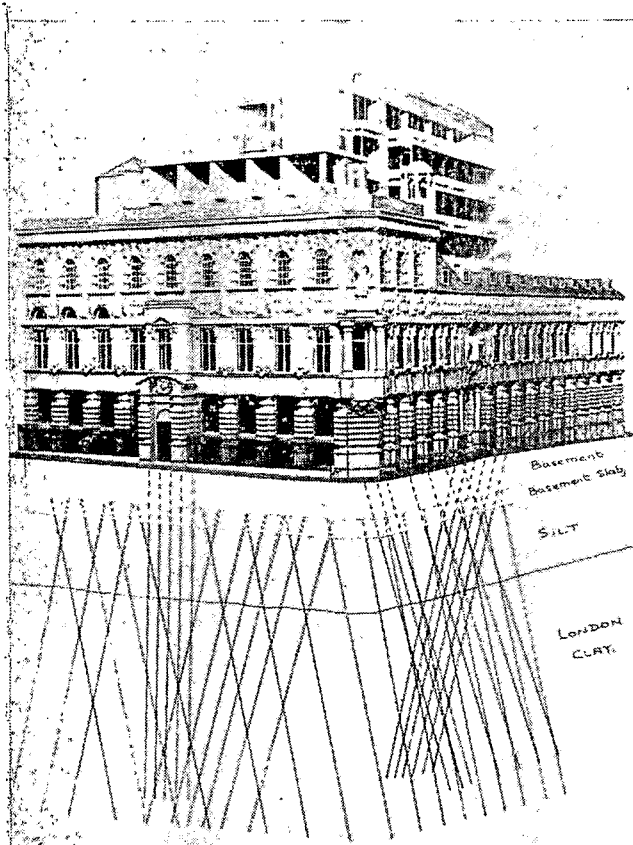
However, the trade union intervened to stop this and he eventually dismissed the men in January 1967. On the men's behalf the union argued that under the Process Trade Agreement the employment contract was for forty hours on a day shift for £18 19s and

accordingly Mr Wood was not entitled to employ the men for thirty-two and a half hours for a less sum. Therefore the dismissal was within section 1 (2) of the Redundancy Act 1965 as being a dismissal attributable wholly or mainly to '(b) the fact that the requirements of that business for employees to carry out work . . . have ceased or diminished or are expected to cease or diminish'.

On this the decision of the Industrial Tribunal was, in the words of the Lord Chief Justice, as reported by *The Times* of November 2nd, short, very unilluminating, and certainly did not give the full reasons which a tribunal of that sort was supposed to give. The Tribunal decision was that the men were not entitled to redundancy pay because they were 'not redundant in accordance with any section of the Redundancy Act 1965 and the evidence showed that dispute arose by reason of the alleged breach of the Process Trade Agreement which is not within the jurisdiction of the tribunal'. His lordship said it was for the Tribunal to find whether the contracts (which must have existed) were on a weekly or hourly basis. The Court allowed the appeal and remitted the case to the Tribunal for determination in accordance with the Court's opinion.

Strong Support for Moorgate Place

A SPECIAL piling system, developed for the underpinning of existing structures, has been used to reinforce the foundations of The Institute of Chartered Accountants in England and Wales building in



Moorgate Place, London, now under major reconstruction. The original building, designed by architect John Belcher, was erected in 1890 and extended in 1930. The additional extensions, incorporating a new tower block, are planned for completion in 1969.

Investigation of the existing foundations revealed that the load-bearing brick walls rest on an unreinforced concrete slab approximately three feet in depth. Indications were that the slab constitutes a raft foundation bearing on black silty clay alluvium which was entirely unsupported by either piers or piles. On the basis of their unexpected findings it was considered by the consulting engineers that the proposed structural alterations and extensions, entailing some excavation work, could affect the stability of the old building. It was therefore decided that the old foundations would have to be reinforced by underpinning before the new building work could commence.

The contract was awarded to Fondedile Foundations Limited, a company who have developed a piling system, known as 'Pali Radice', which has been used for the reinforcement of old buildings and structures in many parts of the world. Originally developed in Italy, the system uses special drilling equipment which can operate vertically or raking to produce *in-situ* reinforced concrete piles capable of supporting considerable loads in relation to their size (see accompanying illustration).

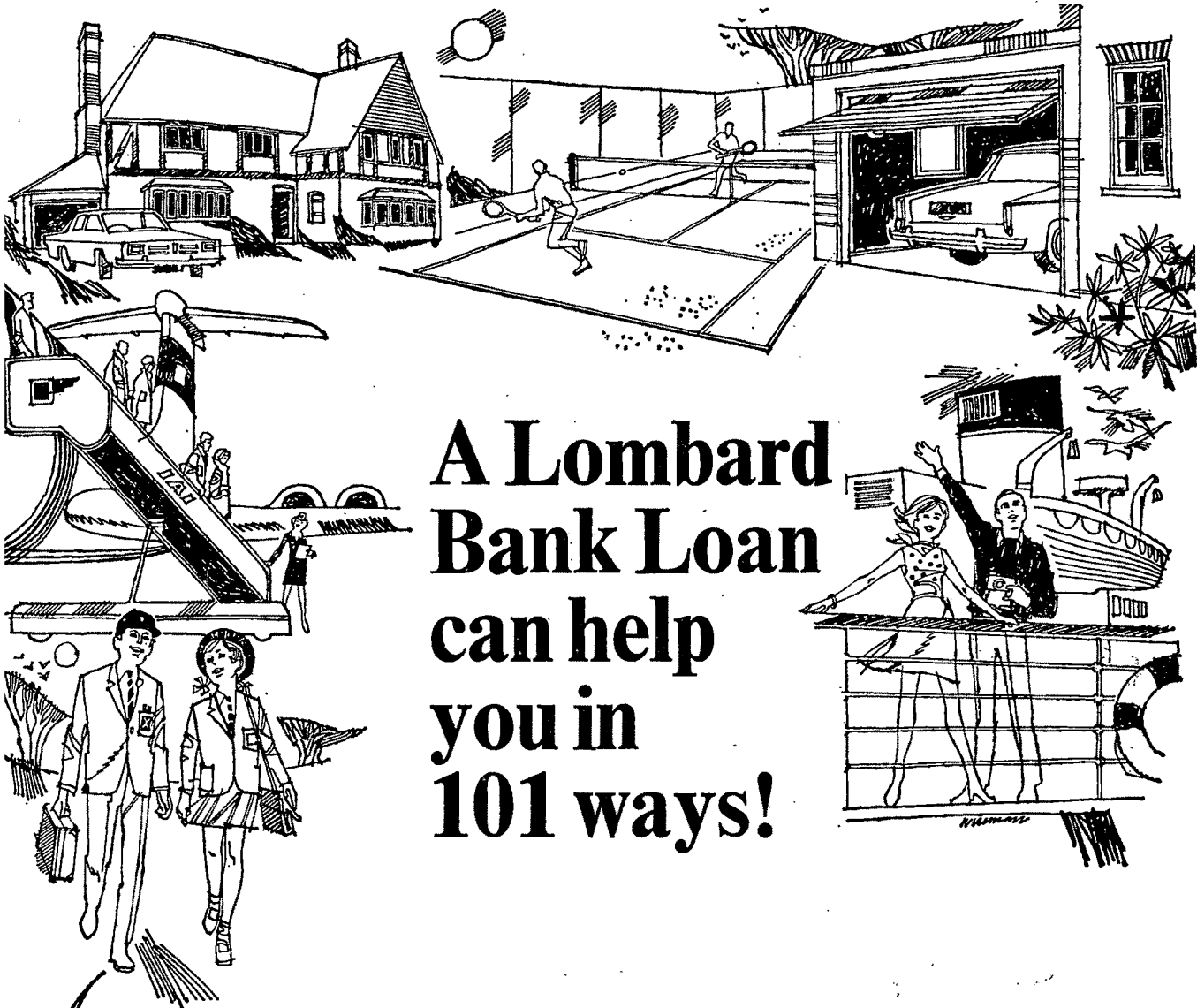
An important consideration, which was vital on this particular contract, was the complete absence of vibration during the drilling process. This enabled the piles to be driven from both inside and outside the building through the existing structure walls up to depths of 58 feet. Over 200 piles, of 4 in., 7 in., and 9 in. diameter, were driven at depths between 50 and 58 feet to penetrate the black silty clay stratum and gain a key in the firm London clay underneath. The piles were driven through the existing walls or concrete slab and bonded to them.

The completed building will give a total floor area of 79,000 square feet. The old building, including the 1930 extensions, had an approximate area of 24,000 square feet.

The New Taxes

MR CALLAGHAN's innovations in the 1965 Finance Act have received, in general, a far warmer welcome from academic economists than they have from either the accounting or legal professions, to say nothing of those taxpayers affected by the new capital gains tax and corporation tax.

However, in a recent Woolwich Economic Paper (3s 6d), Professor A. R. Prest, of the University of Manchester, discusses the two taxes critically. He notes that in the attempt to achieve equity, the operation of the capital gains tax has been made unusually complex. In particular, he cites the option available to the taxpayer of taking the value on Budget day 1965, or its purchase price, if acquired before that date. He



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recommends that there should be an exemption limit – he suggests between £400 and £500 – so that the Inland Revenue can concentrate on catching the larger gains rather than the small fry. In the same context, he recommends the reduction in the stamp duties on share transactions, on the grounds that the capital gains tax restricts the fluidity of the market, and this could be slightly offset by bringing the stamp duty down to American levels. Nor does he like the provision that long-term losses may only be set against gains of that class. He feels that a good deal could be gained by allowing taxpayers an extra degree of liberality by not differentiating between short- and long-term losses.

Of the corporation tax he is equally critical, concluding that it is highly doubtful that the new system of taxing corporate bodies is on balance beneficial. He prefers the West German system whereby distri-

buted profits are taxed at a very low rate (15 per cent) but undistributed profits at a much higher rate (51 per cent). The effect, therefore, is to avoid the complications which arise by virtue of excessive retentions by corporate bodies. The selective employment tax also comes under fire, and Professor Prest makes the point already made to the Chancellor a year ago by The Institute of Chartered Accountants in England and Wales, that the tendency to split the taxation function between the different Ministries is not making the tax system either more equitable or efficient.

The Banks Join Battle

THE banks' answer to the National Giro was unveiled at a Press conference on Thursday of last week and by now the business community will have

This is My Life

by An Industrious Accountant

OUR internal auditor came to me with a problem. He confessed gloomily that he was worried. Things weren't going right for him and he felt he wasn't cut out for an auditor after all. How about a rotational move?

It seemed appropriate to listen sympathetically, so I put my fingertips together with the paternal air of a psychiatrist and emitted some soothing murmurs. We all had problems. The point of no return, the dark night of the soul, the *crise de nerfs* . . . better make a clean breast of it right away.

Frank is normally self-assured and sophisticated with a flair for somewhat caustic criticism, and his original systematic analysis of his duties when appointed was refreshingly brisk. No reverence for the sacred cows of the hierarchy now, he had sniffed disparagingly, and indeed his cattle-driving energy was worthy of any of Buccleugh's old border raiders. I'd heard on the grapevine of the wrathful mooings of certain hustled cows, and smiled to myself. Bulls, I told him, have horns. How was his footwork?

Not too good, he admitted wryly. He'd been tossed, if not gored. Salesmen had snorted indignantly at his recommendations about procedures; the credit controller wasn't on speaking terms with him; the shirt factory manager had been rude when D.C.F. was mentioned. Was this the fate of all auditors, to be resented and disliked?

With furrowed brow Frank produced an impressive textbook on internal audit. See here, he said with pointing finger. On this page the eminent author explained that auditors must lean over backwards to avoid causing friction, must tactfully sheer away from disagreement, must forget rapidly suggestions that

were unwelcome to the recipients. He had chivvied over-sensitive flanks in his eagerness, he brooded; his colleagues didn't like him.

So far as I was concerned, I said promptly, I couldn't care less if they all hated him. Who did he think he was? Shirley Temple? or the modern type of centre-forward who had to be kissed every time he scored a goal? Popularity wasn't a proof of success in my eyes, nor yet a rigid job specification. What about the facts? How good in potential cost-reduction had his suggestions been?

He'd complained to the canteen manageress about the maddening habit of her waitresses of ignoring would-be diners for ten minutes or so, Frank admitted, but his proposed solution had almost precipitated a walk-out. So he'd withdrawn to wait for a more propitious moment. Similarly with his other helpful but controversial ideas . . . well, what else was he to do to enlist co-operation?

Discouragement, in my own chequered experience, is an occupational hazard for internal auditors. Clearly I should have warned him earlier of what lay ahead – the frustration, the proud man's contumely, the insolence of office, and the spurns that patient merit from the unworthy takes. No, it was time to take action. He must plan a more effective strategy.

So he worked out a system by which, whenever one of his proposals was rejected, he should repeat it on paper, with a copy to the managing director. A month later a reminder, summarizing the costs needlessly incurred by non-implementation, should issue, whereupon I would mention it – more in sorrow than in anger – at the next board meeting. This should spur the laggards.

I was aware that such aggressive operations are anathema to those more advanced theorists who prefer high-sounding principle to an efficient practice, but Frank took to the idea with alacrity. The pay-off in his popularity and in our improved revenue will be awaited with interest.

received the four million copies of *Bank Money Transfer Services* which have been sent out from bank branches throughout the United Kingdom.

This booklet lines up alongside the famous Post Office 'blue glossy', which first showed that the National Giro really meant business. It sets out the services that the banks can provide now (as against the Post Office's end of next year) – cheques, credit transfers, direct debiting – and the substantial development of computer use which is to be available next spring when the inter-bank computer bureau is in operation.

Credit transfers and direct debiting constitute the newly-named Bank Giro; and the whole package is to be identified by a new symbol, the Money Mark. The booklet and the heavy advertising campaign in support are both addressed to business rather than to private customers, and a panel of speakers is available to ex-

plain the whole system in detail to meetings of businessmen throughout the country, who may at the same time have an aperitif in the shape of an engagingly light-hearted film, also called *The Money Mark*, with Bernard Cribbins and William Mervyn.

The banks admit that the Post Office's plans have hastened their own developments which were already in the pipe-line; and the Post Office's rather exaggerated claim to be offering a current account service is no doubt one of the reasons why the banks are using the word 'Giro' themselves.

The streamlining of the banks' services is to be welcomed as a first dividend from Post Office competition; but it is to be hoped that these initial sighting shots will not develop into open war. If the country is to have the full benefit of the two Giros, there must be as much co-operation between them as there is, in money transfer, between the otherwise competitive banks.

Income for Corporation Tax

by H. S. A. MACNAIR, F.C.A.

IN the context of corporation tax, the quantification and distribution of income has special importance in relation to companies of which the 'close' character has been established and these can also be factors in the identification of a company as 'close' by reference to the proportion of its income apportionable to certain interested parties. In general, however, the amounts of any company's income are to be computed in accordance with income tax principles as they apply to various sources classified by schedules and cases. The amounts so computed, together with net chargeable gains, determined in accordance with section 55 of the Finance Act 1965, are aggregated to arrive at the total profits.

It is remarkable that, subject to a few special rules, questions as to the amounts which are or are not to be taken into account as income, or in computing income or charged to tax as a company's income and questions as to the time when any such amounts are to be treated as arising, are all to be determined in accordance with income tax law and practice. So far as relevant to companies, the income tax law to be taken is that applying for the year of assessment in which an accounting period ends.

This appears to introduce an element of uncertainty into the final character of an assessment which may have been agreed promptly with the taxpayer in respect of an accounting period ending between April 6th and the enactment of the annual Finance Act. Apparently 'law' here means statute law while Court decisions presumably come under the heading of 'practice', a view consistent with the interpretation of

section 66 (2) of the Income Tax Act 1952 relating to 'error or mistake' claims.

Among the special rules is that relating to yearly interest payable in the United Kingdom on an advance from a bank carrying on a bona fide banking business in the United Kingdom, and this is admissible – subject to the restrictions noted below for annual payments – in the same manner as short interest in computing income from a trade. In other cases such interest ranks as a charge against total profits for any accounting period (after April 5th, 1966), in which it is debited to the company's account in the books of the payee bank – a rule extended to interest due to approved persons in business as members of a United Kingdom Stock Exchange or as a discount house.

Annual payments

Subject to certain restrictions on payments to non-residents (section 52 (5), Finance Act 1965), annual payments of the type familiar under section 169 (3) of the Income Tax Act 1952 likewise rank for deduction against total profits unless the payment is charged to capital or is not ultimately borne by the company or fails to conform to the requirement that it should have been made under a liability incurred for valuable and sufficient consideration and incurred wholly and exclusively for the purposes of a trade in respect of which liability to corporation tax arises. The latter requirement is waived if the charge is claimed by a company resident in the United Kingdom but although capable of being relieved against surplus income of the

year of payment it cannot rank for inclusion in loss relief (section 58 (8), Finance Act 1965).

Subject to the latter point, waiver is also accorded to a qualifying donation to charity (section 52 (4)) but where a 'close' company's income is apportioned for the purposes of surtax, there must be added back for inclusion in the apportionment any annual payments which would not have been deductible in computing the total income of an individual for surtax (section 78 (2)).

There are also certain miscellaneous rules for company income which may be noted briefly. The annual value of woodlands (Schedule B) is to be apportioned where necessary to reflect the disjunction between years of assessment and accounting periods. Again, unless otherwise relieved, sums disbursed wholly, exclusively, and necessarily as expenses of management or supervision of minerals, may be deducted in computing income from the letting of the rights to work minerals in the United Kingdom, while overseas income tax is deductible from income assessed under Cases IV or V of Schedule D.

Another rule derived from income tax concerns the deduction of five-sixths of any payment made as an instalment of an annuity under the Tithes Acts 1936 and 1951.

Distributable profits

In approaching a computation of possible 'shortfall' for a 'close' company, the first step is to ascertain what may be termed its 'reckonable income' for the accounting period; that is, the amount on which corporation tax falls finally to be borne. This is not necessarily in direct relationship with the net bill for corporation tax. The 'reckonable income' is then augmented by three addenda in order to arrive at the 'distributable profits' for that period (paragraph 7 (1); Eighteenth Schedule, Finance Act 1965). These are transmuted into 'distributable income' through the elimination of chargeable gains less corporation tax attributable thereto and thence the 'required standard' of distributions in the context of the 'shortfall' rules of section 77 of the Finance Act 1965 is arrived at by eliminating at least 40 per cent of estate or trading income (paragraph 7 (4)), uplifted on a limited sliding scale for an 'isolated' trading company. In favourable circumstances a higher proportion up to 100 per cent may be deleted.

Also to be eliminated is the 'other' income up to at least 10 per cent of estate or trading income (subject to a maximum of £16 13s 4d for each month in the accounting period). Again, in more restricted 'favourable circumstances' a 100 per cent deletion is attainable. The 'favourable circumstances' arise in the context of a company's ability to show that not to withhold a higher proportion of income from distribution would prejudice the requirements of the business (section 77 (3) (a)), a privilege not available as regards 'other' income in the case of a company

which is neither a trading company nor a member of a trading group (paragraph 8 of Schedule 18).

In computing 'distributable profits' the first addendum to 'reckonable income' is group income (dividends received gross on the strength of an election under section 48 (3) of the Finance Act 1965) and the second involves the adding back of any deduction obtained under section 87 (transitional relief for cessation of a source of income). The third addendum represents franked investment income less the amount of any relief already given against it under section 62 (1) or (7), a rule enlarged, from the terms originally contained in the 1965 Act, by paragraph 7 of Schedule 11 to the Finance Act 1967.

Franked investment income

Section 62 enables franked investment income to be utilized in various ways, including repayments equivalent to management expenses and to charges on income. Additionally franked investment income may be used to cash surplus allowances 'primarily available' against certain classes of income of the type contemplated by section 56 (6) and trading losses (section 58 (2)). Both these subsections contemplate relief against total profits of antecedent accounting periods which for this purpose may be fully utilized as regards an antecedent accounting period shorter in length than the claim period (wholly within its 'shadow').

It is, moreover, permissible to go back to the date which marks the onset of the 'shadow' (that is, the date which precedes the beginning of the claim period by a length equal to its duration) and to have recourse to so much of the available total profits of the accounting period which straddles that date as are apportionable on a time basis to the portion lying within the 'shadow'.

Allowances 'primarily available'

It may be noted that the capital allowances which are 'primarily available' arise in the context of proprietorship of structures serving the purposes of industry (section 270 (6), Income Tax Act 1952), husbandry or forestry (section 314 (5)) and of plant or machinery serving somewhat wider purposes (section 301 (2)) while allowances attributable to non-capital expenditure involved in the upkeep of an agricultural estate also come into this category (section 313). The foregoing were taken over from income tax (section 324 (1) of the Income Tax Act 1952 and section 20 (8) of the Finance Act 1954) but as drafted in subsections (5) and (6) of section 56, Finance Act 1965, the corporation tax relief appears to have been originally drawn in over-generous terms. It was found necessary to cut it down with retrospective effect by section 21 (2) of the Finance Act 1967 so that relief cannot be obtained against total profits subsequent to the claim period but only against relevant income of the class appropriate to the type of allowance in question.

The procedure for utilizing franked investment

income differs through the need to split up the franked investment income of a fiscal year on a time apportionment basis between the accounting periods which comprise it. In the context of 'shadow' relief for trade losses and 'primarily available' allowances, this makes it necessary as a first step to effect a notional division of the antecedent accounting period into two notional accounting periods one of which falls wholly within the period of 'shadow'.

These rules may be illustrated by assuming that Alpha Ltd, to which a class of allowances 'primarily available' accrue at an even rate of £1,000 a year, commenced business from July 1966. The operations broke even in other respects although franked investment income of £3,000 was received in 1967-68 from a two-thirds share in a trade investment. Having regard to section 21 (2) of the Finance Act 1967 noted above, the first £500 of the allowances had to be carried forward indefinitely but the £1,000 allowances for 1967 were cashed against £2,250 franked investment income apportioned to that year. The remaining £750 of the franked investment income was apportioned to 1968 but the £1,000 allowances for that year were taken up against the franked investment income apportioned to the notional accounting period from April to December 1967 lying wholly within the 'shadow' of 1968.

The £1,000 allowances for 1969 were matched as far as possible with the franked investment income for the last quarter of 1967-68 apportioned to the first three months of 1968, a notional accounting period lying within the 'shadow' of 1969, but the remaining £250 franked investment income arising in 1967-68 could not be utilized for relief purposes. In consequence a shortfall assessment was sustained on £250 for 1968.

Resuscitation of losses

However, franked investment income is sterling stuff when distributions are in question, and a surplus realized in any year is capable of being carried forward indefinitely (section 48 (2) of the Finance Act 1965). Even franked investment income used up against losses is too good to be put down permanently so that although cash flow considerations dictate its immediate use to cut tax bills, it may be matched with subsequent distributions so as to permit some use being made of the Schedule F liabilities generated thereby. The occasion for this arises when the franked investment income (if any) of a later year of assessment is exceeded by distributions (an excess which may be termed 'negative franked investment income') in which event section 62 of the Finance Act 1965 allows for the exhumation of items previously encashed under the rules discussed above.

Resuscitation is to be applied in the first instance to trade losses and related charges qualifying under section 58 (8), provided that the trade in question is still being carried on, although the company may elect that management expenses and capital allowances

should be resurrected first (section 62 (6)). However, the reappearance of these 'ghost' deductions, although effective in reducing the current burden of corporation tax, is not relevant for the purpose of measuring the 'required standard' of a 'close' company for 'shortfall' purposes since 'negative' franked investment is not recognized in computing the 'reckonable income'. The 'distributable profits' are, however, enhanced by the cut in corporation tax contributed by the 'ghost' items (paragraph 7 (2) of Schedule 11, Finance Act 1967).

The reinstatement of the 'ghost' items mentioned above is effected as a deduction to be made from the total profits of the accounting period immediately antecedent to the year of assessment in which the 'negative' franked investment income arises (section 62 (5)) and may perhaps be regarded as the counterpart of an equal quantity of 'negative' franked investment income brought into existence through the excess distributions of that year of assessment. Hence the aggregate amount of 'ghost' items resuscitated cannot exceed the available amount of 'negative' franked investment income.

These rules may be instanced by considering Beta Ltd, a company with a history parallel to that of Alpha Ltd (above), up to the end of 1969. In 1970 income of the relevant class (section 56 (3) and (5), Finance Act 1965) amounting to £3,333 absorbed the allowances 'primarily available' of £1,000 (current) and £750 (arrears) and gave rise to a 'reckonable income' of £1,583. Recourse was had to section 62 (6) so as to resurrect £715 of the earlier allowances. Assuming corporation tax at 45 per cent, the tax applicable to 'reckonable income' less the 'ghost' reliefs amounted to £390 12s, and the required standard established by these figures was matched by a dividend of £715 in 1971-72 necessary in order to create the equivalent 'negative franked investment income'. In the following year, 1971, the relevant income of £5,500 was reduced by £1,000 current allowances 'primarily available' to a 'reckonable income' of £4,500. A dividend of £2,035 was declared in 1972-73 and the resultant Schedule F liability created equivalent 'negative franked investment income' whereby the resuscitation of 'ghost' allowances to the tune of £2,035 was validated. In consequence the corporation tax charge was limited to £1,109 5s, and when this had been set off against the 'reckonable income' it was found that the required standard matched the dividend.

In conclusion, it should be noted that in the above example both dividends were paid for the antecedent accounting period and within twelve months thereafter, in order to comply with paragraph 9 (1) of Schedule 18, Finance Act 1965. If, however, through an oversight the second dividend had not been paid until March 1973, and assuming that Beta Ltd had no other income in the 1973 accounting period, the Schedule F liability for 1973 would be eliminated by the antecedent shortfall, on the company making a claim to that effect under section 77 (6).

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Economics in Stockholding

by D. W. BICHENO, B.Sc., A.R.I.C., M.I.W.S., M.I.P.
Production Director, Vitamins Limited

DURING the last decade increasing attention has been focused on the influence of stockholding, both on the climate of business activity in general and on the profitability of individual companies, particularly in the manufacturing sector.

Consideration of the relationship between inventory policies and trade cycles lies properly in the field of the economist and a number of interesting theories have been advanced; but as George Bernard Shaw wrote, 'If all the economists were laid end to end they would not reach agreement'.

Reflection of business confidence

It is, however, generally recognized that changes in volume of trade are usually greatly amplified by changes in investment in stock. During trade contractions merchants usually cut their stock levels by an amount considerably greater than that by which their sales have been reduced, and this reduction is passed back to the manufacturers and the raw material suppliers' stocks.

In times of trade expansion a similar process occurs in the reverse direction. A detailed study in the U.S.A. over a period of forty years showed that approximately one-quarter of the cyclical changes in total national output were accounted for by accumulation and liquidation of inventories.

It would seem, therefore, that stock levels reflect fairly closely businessmen's confidence, and fluctuate with their optimism and pessimism as to the future prospects. Clearly, then, any policy relating to stockholding will be closely associated with sales forecasting, and must also take account of the present position and predicted future supply position for raw materials.

Such predictions are often based not on the more sophisticated forecasting techniques such as exponential smoothing or by the use of the computer, but on subjective assessments and rule-of-thumb methods. This results in considerable differences in stockholding levels and profit performance between competitive companies in an industry.

A recent inter-firm comparison between twenty companies of similar size producing a similar range of products showed stock turnover ratios varying between thirty-four and eight. Not surprisingly there was a good correlation between those companies with high stock turnover ratios and high profits on assets employed ratios.

Increasing competition and the growing pressure for working capital has caused an increasing awareness and appreciation that stockholding is a form of earning investment, like any other form of industrial asset, where the advantages to be gained must be carefully evaluated against the cost involved.

The true cost per annum of stockholding has been given in the literature for a variety of industries as lying between 10 per cent and 25 per cent of the value of the stock held.

In considering the advantages of stockholding it is as well to differentiate between two main groups – the process or working stocks and the organizational or liquid stocks.

In the first category are all those stocks which are an inherent part of the process cycle, for example, those work in progress stocks undergoing process operations, or in transit between operations, or undergoing quality control checks, or held for maturing.

In the second category are those stocks which are held for policy reasons but which are not essential to the manufacturing process. Such reasons will include the following:

- (1) Exceptional buying opportunities, e.g. buying forward against a rising market.
- (2) Buying for quantity discounts.
- (3) Establishing a buffer against fluctuation in sales volume, sales mix, raw material supplies, or against production short-falls due to plant breakdown, staff sickness, strikes, absenteeism and quality control failures.
- (4) Maintaining full production loading and (minimal capital investment in plant and minimal manufacturing costs) against seasonal variations in sales.
- (5) Allowing long and economic production runs without frequent down-time for machine change-overs.

Perhaps the most common reason for holding excess stocks is to cover broken delivery promises from suppliers.

Cost of stockholding

Against these undoubted advantages must be set the cost of stockholding. By far the largest factor will be the financial cost of inventories, and the order of cost will obviously depend on the source of finance used. If the permanent capital of the company is used, the cost may well be high, if by acceptance credit or by bank overdraft at slightly over Bank rate.

In considering the cost of financing stocks, account must always be taken of, and maximum advantage extracted from, the credit terms given by suppliers.

Apart from the major item of financial cost of stockholding, there are a number of other factors which often contribute more to costs than are generally realized. These are as follows:

- (1) Rates and rent of storage space.
- (2) Provision of pallets, stillages, bins, racks, etc.
- (3) Use of mechanical handling equipment, e.g. conveyors, fork-lift trucks.

- (4) Use of labour in stores handling.
- (5) Deterioration and mechanical damage during storage.
- (6) Obsolescence during storage.
- (7) Stock control documentation and procedures.
- (8) Insurance premiums.
- (9) Special storage conditions, e.g. refrigeration, heating, air conditioning, etc.

The basic problem of inventory management is clearly that of striking a compromise between the operating economies to be secured with higher stock levels and the cost and capital requirements involved.

Minimizing inventory costs

Apart from these considerations, however, some factors which are essential in minimizing inventory costs are as follows:

- (1) Accurate sales forecasting. This must be carried out with the best statistical techniques and tools available, and must be reviewed regularly.
- (2) Such forecasting must also be translated into accurate and comprehensive planning for material procurement, machine loading and labour scheduling.
- (3) Economic order quantities, maximum and minimum stock levels, and lead times must be calculated accurately and reviewed regularly.
- (4) Work in progress stocks should be tightly controlled and constantly reviewed by work study personnel to ensure the minimum processing sequence.
- (5) The product line should be reviewed regularly and slow movers discontinued.
- (6) Obsolete or obsolescent materials should be disposed of promptly.
- (7) The possibility of economies of using materials in bulk or in palletized loads should be under constant review.
- (8) Warehouse areas should be designed for the type of storage required, e.g. height of twenty feet and heavy-duty clear span floors for fork-lift truck operation.
- (9) All returnable containers should be returned promptly and all non-returnable containers sold as rapidly and advantageously as possible.
- (10) There should be a minimum of loss by wastage and mechanical damage during storage by efficient stock layout and handling methods. Stores staff should be made aware of the value of materials handled and well trained in salvage procedures.

It has been established that the setting of inventory policies and control can be a major factor in determining the overall profitability of a company's operations. It is thus desirable to consider where the authority and accountability for this important function should rest, and to consider the attitudes of the senior executives of a company towards inventory.

The chief sales executive will always try to ensure that stocks are adequate to meet any foreseeable demand at any time and will not regard any level of chance of running out of stock as an acceptable risk. He will always exert pressure on his production colleagues to maximize stocks both in quantity and product range.

The chief purchasing executive will always show the

most favourable buying terms, with purchase of the largest possible quantities, and will have no incentive to work with low stock levels.

The chief production executive will be fully convinced of the economies of long manufacturing runs and few plant changeovers, and will also favour the higher stock levels which permit this and which will also enable him to buffer production short-falls and sales surges. It is most logical for the responsibility in the company's organizational structure for control of stockholding to rest ultimately with the chief executive—managing director or general manager. This may be delegated sometimes to the executive (usually finance director) who is responsible for controlling the working capital of the company.

Since the physical control of stocks are normally the responsibility of the chief production executive, this dichotomy between the financial and material aspects of stockholding does not always result in the optimum inventory levels and costs.

In my view there is a strong argument for making complete inventory management one of the responsibilities of the senior production executive, although this does involve close co-operation and liaison with the purchasing and accounting functions to ascertain suppliers' credit terms and interest rates on sources of capital used to finance stockholdings.

Whoever is held accountable for levels and costs of stockholdings it is essential to establish some yardstick for measurement of the effectiveness of the performance.

The simplest and most commonly used measure is the stock turnover per annum, i.e. the annual sales divided by the average stockholding (national average is eight), but this has the disadvantage that stockholdings are not necessarily directly related to sales levels.

A further indication is given by the current ratio

$$\left(\frac{\text{Current assets}}{\text{Current liabilities}} \right)$$

and the liquidity ratio

$$\left(\frac{\text{Current assets less stock}}{\text{Current liabilities}} \right).$$

If the current ratio is satisfactory (average for British industry is two) and the liquidity ratio (average for British industry is one) is not, it is probable that stockholdings are excessive.

The internal auditor can play an important part in inventory control by periodic audits on the following:

- (1) Check that for the main items of stock the economic order quantity is being reviewed regularly and correctly used.
- (2) Check that the stock turnover ratios are satisfactory not only in total but for the individual main stock items.
- (3) Check on the material wasted in storage operations.
- (4) Check on the returnable container position.
- (5) Check suppliers' credit terms.
- (6) Check salvage revenue from non-returnable containers etc.
- (7) Check the sources and cost of financing stockholding.

Protection for Shareholders – II

by D. D. RAE SMITH, M.C., B.A., F.C.A.

THE general provisions as to balance sheets and profit and loss accounts contained in the Eighth Schedule of the 1948 Act are amended and extended by the new Act. Mention has already been made (paragraph 32) of an extension concerning information about unquoted investments held in the equity capital of unquoted companies. Some of the other amendments may be regarded as mainly technical; those which it seems to me will, or may, be of help to shareholders are outlined in the seven immediately following paragraphs.

37. Information about redeemable preference shares is extended so as to include the latest as well as the earliest date on which a company has power to redeem them; and also to show whether they have to be redeemed in any event or are liable to be redeemed at the option of the company; and the amount, if any, of the premium payable on redemption.

38. In addition to disclosure of the aggregate amount of bank loans and overdrafts, there will also have to be shown the aggregate amount of other loans made to a company which either are repayable more than five years ahead, or are repayable by instalments any of which fall due more than five years ahead. Moreover, for each of these other loans the terms of repayment and the rate of interest must be given. If this would require particulars of excessive length, it will be sufficient to give a general indication of the terms of repayment and the rates of interest. In profit and loss accounts instead of being required only to disclose interest paid on debentures and other fixed loans there must be shown the amount of interest on (a) bank loans, (b) overdrafts, (c) other loans, repayable otherwise than by instalments, falling due for repayment within the next five years, (d) other loans repayable by instalments within the next five years and (e) other loans whether made on the security of debentures or not.

39. Information about capital projects is extended by adding to the need to disclose material amounts of contracts for capital expenditure not provided for in the accounts, the aggregate or estimated amounts also, if material, of capital expenditure authorized by the directors but not yet contracted for.

40. If fixed assets (other than unquoted investments) are shown at valuations there will have to be stated the years – if known – in which the assets were severally valued and the several values. If they have been valued in the financial year under report, the names and qualifications of the valuers and the bases of valuation used must be given. In addition to information about valuations, disclosure of fixed assets is extended by requiring a breakdown of assets consisting

of land between freeholds, long leaseholds and short leaseholds, and also of the aggregate amounts of fixed assets (other than investments) acquired during the year and disposed of or destroyed during the year.

41. Turnover, except for banking, discounting or other exempted businesses, will have to be shown. The method by which turnover is arrived at must be stated, and, if some or all of a company's turnover has been omitted through taking advantage of exemption, that fact must be stated.

42. So far as taxation is concerned any special circumstances which affect the charge for taxation, including taxation of capital gains, for the financial year or for succeeding financial years are to be disclosed.

43. If it is not necessary to consider the exemptions that are given to or retained by banks, discount houses, insurance and shipping companies under the terms of the Companies Act 1967. It is sufficient to say that they are not much affected by the new Act and are still permitted to produce accounts which in the context of another type of company would not be considered true and fair.

44. Sections 16 to 20 of the 1967 Act deal with information to be given in the directors' report. Compared with the minimal information that has to be given in such reports under the 1948 Act, the new requirements are formidable.

45. Under section 16 the directors' report will have to state the names of those who were directors at the end of the financial year, the principal activities of the company and its subsidiaries and any significant changes in those activities during the year, and also:

- (i) particulars of significant changes in fixed assets during the year and of any substantial difference between the market and balance sheet values of such assets as consist in interests in land if the difference is, in the opinion of the directors, of such significance as to require that the attention of members or debenture-holders should be drawn to it;
- (ii) the reason for having issued any shares or debentures in the company during the year and particulars of the amounts so issued and the consideration received;
- (iii) particulars of any contract of significance in relation to the company's business subsisting at the end of the year, or which subsisted during the year, in which a director has, or had, a material interest;
- (iv) particulars of any arrangements, subsisting at the end of the year or during it, to which the company is a party, whose objects are, or one of whose objects is, to enable directors to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate;

- (v) particulars of each director's interests in the shares or debentures of the company, or any of its subsidiaries, fellow subsidiaries, or holding company, at the beginning of the year (or such later date as he may have become a director) and at the end of the year;
- (vi) particulars of any other matters that are material for the appreciation of the state of the company's affairs by its members, being matters the disclosure of which will not, in the opinion of the directors, be harmful to the business of the company or any of its subsidiaries.

It is curious that giving the names of directors has not been required before in annual reports and accounts. The requirement to state the principal activities of a company and its subsidiaries cannot be other than welcomed by shareholders. So also will the information that has to be given under heads (i) to (vi) above be welcomed by shareholders - provided that too much use is not made of the escape clause incorporated in (vi). The particulars relating to fixed assets required under (i) do not apply to banks and other exempted companies.

46. Where a company or a group (except banks and other exempted companies) carry on business of two or more substantially different classes, section 17 requires the directors' report to give a breakdown of turnover and profits before taxation between the different classes of business. The object of section 17 is obvious enough; its practical interpretation may give a little trouble. The definition of what is meant by business of substantially different classes may cause arguments. Manufacturing, wholesaling and retailing might be regarded as business of substantially different classes, but there would seem to be little point or precision in a breakdown of the profits of a company or group with a vertical structure which engaged in all these different activities; it can take its profit at whichever point in the chain it wishes.

47. Section 19 of the new Act has caused a furore out of proportion to its importance. It requires the disclosure of money given for political or charitable purposes if it exceeds £50. Moreover, in the case of political contributions exceeding £50, the identity of each political party or person and the amounts given to them must be given in the directors' report. A company which is the wholly-owned subsidiary of another company incorporated in Great Britain is exempt from this, but in such a case the directors' report of its holding company has to deal with the amounts given for political or charitable purposes by the group as a whole. Whatever one may suspect were the motives that prompted the inclusion of section 19, it is difficult to quarrel with the section itself. Companies are not normally established to fulfil political or charitable functions, but to do business. It may well be desirable that, in today's world, they should devote some of their revenue to political or charitable purposes. But if this is so, shareholders are entitled to know that is being done. If what is done is justifiable, it is a poor body of directors that does not have confidence that it can make the case to shareholders.

48. Exports are the preoccupation of section 20. If a company has a turnover of more than £50,000, the directors' report must state the value of goods exported by the company from the United Kingdom; if no goods have been exported, that fact must be stated. For a holding company, group figures of exports have to be given, or the fact that the group has made no exports. This seems to imply that

there is something inevitably desirable in export turnover. From the shareholders' point of view this is not necessarily so. Nor are direct exports necessarily more meritorious than invisible exports, nor is the company which exports goods abroad necessarily more meritorious than the manufacturer in the United Kingdom from whom the company has bought the goods in the first place. I am sceptical about the value to shareholders of this disclosure and also of the disclosure of numbers and remuneration of employees called for by section 18.

49. Section 33 is another provision of the new Act that is of interest to shareholders. This long section places an obligation on a person who acquires shares in a company, any part of whose share capital is quoted on a recognized Stock Exchange. Put shortly, when a person holds an interest, representing 10 per cent or more of share capital carrying unrestricted voting rights, he must notify the company. He must also notify the company if any subsequent event results in a change in the percentage represented by his holding, whether such change be an increase or decrease - including notifying the company when it falls below 10 per cent. Likewise a person who, at the time this provision comes into operation, holds such an interest of 10 per cent or more is under an obligation to notify the company. This information has to be kept in a register at the company's registered office and be open to inspection by any member without charge, or by any other person on payment of a fee. A member of the company or any other person may also acquire a copy of the register, or any part thereof, on payment of a fee (section 34).

50. During its passage through the Committee stage new clauses were added to the Companies Bill, the effect of which has been greatly to enlarge the powers of the Board of Trade to investigate companies suspected of fraud; it appears that their effect is to make any company's books or papers open to Board of Trade inspection. If these new powers act as a powerful deterrent against fraud they will be of importance to shareholders. It cannot be too strongly emphasized that for shareholders a little prevention of fraud must always be better than a lot of penalty when the crime has been discovered.

(c) *Stock Exchange requirements*

51. Stock Exchange requirements provide shareholders in quoted companies with a protection that is at least as important as are the independent audit and the Companies Acts. The independent audit seeks to give a reassurance that accounts presented to shareholders are a reliable source of information, fairly presented; statute lays down certain minima that must be observed in presenting information to shareholders and provides the means whereby some other information may be obtainable by them; Stock Exchange requirements tend to go beyond statute and try, within the limits of the power the Exchange has, to impose a standard of best practice. As the standards and techniques of an audit, and the requirements of statute, must always evolve and develop, so must, and do, Stock Exchange requirements. It is not practicable, in the scope of a paper such as this, to examine in detail the up-to-date requirements of the Federation of Stock Exchanges in Great Britain and Ireland in regard to the admission of securities to quotation. But they cannot be passed over without some general comments being made.

52. The history which dealt with the development of

limited companies whose shares are dealt in by the general public would record many examples of fraud or deception. But in recent times the companies that have sought and obtained a quotation on a recognized Stock Exchange in these islands and have since proved to have got it undeservedly are remarkably few in number. I can only speak with first-hand experience of the Stock Exchange, London; anyone who has at all recently been closely concerned with an application to that Stock Exchange for permission for quotation for and to deal in the shares of a company will not need to be told how fine is the mesh through which the application must pass and in what responsible manner the Quotations Department of the Exchange discharges its functions. There can be no doubt that, in regard to applications for quotation, the Stock Exchange has over the years done much to promote a rise in the professional standards adopted by issuing houses, brokers, solicitors, reporting accountants and auditors.

53. Apart from rules governing the admission to quotation of shares or stock in companies which have not previously been quoted, there are comprehensive requirements for other situations which will, or may, have an impact on a shareholder's interest in his company. A mere glance at the June 1966 issue of *Admission of Securities to Quotation - Memoranda of Guidance and Requirements of the Federation of Stock Exchanges in Great Britain and Ireland* is enough to reveal main headings dealing with acquisitions and realizations; bids and offers; take-overs and reverse take-overs; profit announcements; share options; and shareholders' approval.

54. Any company seeking permission for quotation for and to deal in its shares (whether for the first time or for an additional issue of shares) must give a general undertaking that it will provide promptly certain information about its operations and will follow certain administrative procedures. This general undertaking is not something that can be given in a light-hearted or irresponsible mood. When an unquoted company is thinking of seeking a quotation for its shares it is a wise precaution to show its directors the terms of the general undertaking at an early stage; their reactions to it can be revealing. Amongst other things they have to undertake are - to notify the department (the Quotations Department of the Stock Exchange, London, or the administration department of a Federated Stock Exchange) without delay of the date of a board meeting at which the declaration or recommendation of a dividend will be considered; of dividends and/or cash bonuses recommended or declared or the decision to pass any dividend or interest payment; of preliminary profits announcements for the year and half-year; of short particulars of the issue of new capital or any other proposed change in capital structure; of any other information necessary to enable shareholders to appraise the position of the company and to avoid the establishment of a false market in its shares; of particulars of acquisitions or realizations; of changes in the directorate; of any proposed change in the general character or nature of the business of the company and of its subsidiaries; of any change in voting control or in beneficial ownership of securities carrying voting control; to forward to the department proofs for approval of all circulars to shareholders, notices of meetings (other than routine business at annual general meetings) and forms of proxy; to forward to the department copies of all resolutions adopted in general meeting, other than routine business; to circularize shareholders, not later than six months from the date of the

notice calling the annual general meeting, a half-yearly interim report; to include in or circulate with each annual directors' report and audited accounts or chairman's statement information about the company and (if it has subsidiaries) the group regarding its operations, the contribution made to trading results by widely differing operations and a geographical analysis of operations if it trades outside the United Kingdom; to include in such annual report also details of the company's, or the group's interests in associated companies; and to give a statement of persons holding or beneficially interested in any substantial part of the share capital of the company, together with particulars of the interests of each director.

55. The foregoing outline of the information that has to be given under the terms of the general undertaking is sufficient to show that they are stiff requirements. And they support the claim that, in general, Stock Exchange requirements tend to be in advance of statute. To say this does not diminish the importance of Companies Acts. In a healthy climate, best practice in these matters must always be in advance of legal minima; from time to time a new Companies Act must try to catch up with best practice. By the same criterion, best practice will sometimes be in advance of Stock Exchange requirements. What is evident is that the prime concern of Stock Exchange requirements is to ensure that sufficient information is revealed to enable a fair view to be formed of the worth of shares that are quoted. It may be unfortunate that the latest rules cannot always be applied to those who joined the club in earlier times, but this does not wholly nullify the value of new rules; it just means that their effect takes longer to become apparent.

56. In addition to the protection that Stock Exchange requirements provide for holders of quoted shares, it should not be forgotten that the very existence of a stock-market in which shares can be dealt in freely, and the advice that can be obtained from good firms of stock-brokers, are further and valuable means of protection.

(d) The Press

57. Informed and lively comment by the Press on a company's affairs adds another useful weapon to the shareholder's armoury. Directors may sometimes be irritated by adverse, or even merely lukewarm, comment; Press comment may sometimes be based on incomplete or ill-digested information, and may sometimes be unfair. But there is no doubt that, taken as a whole, the financial columns of the daily and the Sunday papers and the pages of those periodicals, which are either mainly or partly devoted to business and financial matters, give good value to shareholders who take the trouble to read them. They may often be the source of information from which warning signals can be recognized, or indications of good news gleaned, in advance of any other. It would be a sad day for shareholders if the service provided by the Press were withdrawn from them.

V. Is more protection needed?

58. What has been said so far shows that, if he cares to make use of it, the shareholder already has an impressive amount of protection available to him. However, the best laid system of defence is always liable to have its flaws and it will be surprising if, with the passage of time, further areas where protection is needed do not become apparent.

Meanwhile there are some matters which can briefly be considered here.

(a) Exemptions from disclosure

59. I have already indicated that my personal view is that it is a pity that banks, discount houses, insurance and shipping companies are still permitted to hide so much in their accounts. I am convinced that, in general, disclosure does no harm to companies. The few cases where it might be possible to show that disclosure has done harm are far outnumbered by those where it has done no harm, and are outweighed by the more informed judgements that shareholders have been able to make. I find it difficult to believe that there are any really valid grounds for claiming that what does no harm to important industrial and commercial concerns is likely to harm those who enjoy the exemptions.

(b) Life assurance companies' accounts

60. Many chartered accountants, let alone lay shareholders, must find the accounts of a company that does life assurance business among the most difficult of all those that they try to read and comprehend. This is not only due to the obscurity which the exemptions from disclosure allow; it is in part due to the nature of life assurance business. I suspect that most shareholders in a life assurance company are far from clear as to the significance of actuarial valuations. Yet the actuarial valuation made by the company's actuary is of crucial importance; it is this which determines how much surplus will be distributed by way of policy-holders' bonuses and to profit and loss account for shareholders. Moreover, a marginal variation in the rates of interest used in the valuation can make a significant difference in the bonuses added to policies and the profit credited to shareholders.

61. Some life assurance companies reproduce the actuary's valuation in full as a document accompanying their accounts. Some do much less. It is worth considering whether it should not be a legal requirement for life assurance companies to include the actuary's report in full as a document which would have to accompany the accounts; and also whether the actuary's report should not be required to disclose, in addition to the rates of interest used, the reasons for any change in such rates from those previously used and the effect of the change on the surplus that is arrived at by the valuation. Further, in view of the importance of these valuations, should it not be a legal requirement that they be made and reported annually? At present where they are not made and reported annually this can only result in life assurance accounts of non-valuation years being seriously deficient for lack of this vital information.

(c) An efficiency audit

62. The idea of an efficiency audit is aired from time to time. Although it is often not clear who is expected to make such an audit, the immediate attraction of the idea is obvious enough. Every shareholder would be interested to be told whether his company is, or is not, efficiently run. To put the idea into practice, however, would be far from a simple matter.

63. I assume that the proponents of the efficiency audit idea envisage a specific report being made. To ensure that personal prejudice or bias does not play too large a part, an

assessment of efficiency must have regard, as far as possible, to objective yardsticks – such as returns of profit in relation to turnover and capital employed, rates of stock turnover, comparison with similar organizations, etc. The information that is, or will shortly have to be, given in companies' accounts provides the means for measuring against many yardsticks.

64. But an assessment of efficiency which had regard only to objective yardsticks and did not involve a judgement of individuals and their personalities as well, would be incomplete. Accountants in public practice are not unfamiliar with making investigations where the instructions contain a request to report on and assess management. Every accountant who has ever accepted such instructions knows how difficult it can be to carry them out. Not only because the assessment involves judgement of individuals and personalities as well as structures, but also because of the delicate manner in which findings may have to be reported. Sometimes the report can only be satisfactorily made orally and off the record. It might conceivably be acceptable to take responsibility for reporting publicly that all seemed well with management, even though one was later proved mistaken. It must be unacceptable to have to meet the contrary situation unless a sufficient degree of privilege were given by law to the report and its maker. It hardly seems, therefore, that a case has been made for a specific efficiency audit and report.

(d) Abolition of non-voting equity shares

65. Persons who acquire non-voting equity shares must be deemed to know what they are doing and to be content to do so. As the report of the Jenkins Committee on Company Law shows (at Chapter IV), there are substantial arguments both for and against such shares. However, I think it must be recognized that where non-voting equity shares exist there is usually a situation where a dominating number of a company's voting shares are in a relatively few hands. This must carry an ultimate danger of perpetuating an inefficient and unworthy management. The enfranchisement of non-voting equity shares, on fair terms, will not damage the small shareholders' interests and may well enhance them.

(e) Limitation of directors' powers

66. Paragraph 122 (e) of the report of the Jenkins Committee on Company Law recommended that:

'Notwithstanding anything in the memorandum or articles of association the directors of a company should not be able without the specific approval of the company in general meeting to dispose of the whole or substantially the whole of the undertaking or assets of the company.'

The committee made its recommendation after recognizing that, in well-conducted companies, it is already standard practice to obtain shareholders' consent to a sale of a substantial part of a company's undertaking. It is to be hoped that in due time this recommendation will become law.

(f) Shareholders' directors

67. The suggestion is sometimes made that the general public of shareholders should be directly represented on a company's board by one or more directors specifically charged with the duty of watching their interests. It seems doubtful whether this would be of much practical value. It could only be taken as implying that there must always be a

conflict between directors concerned with running a business and those who are concerned to look after the shareholders' interests. Every director has responsibilities both to the running of the business and to shareholders and cannot duck either the one or the other; nor should there be any conflict between the two. What is good for the business should be good for shareholders.

VI. Conclusion

68. Protection for shareholders is a wide subject and an exhaustive study of it would cover matters additional to those already touched on in this paper. The oppression of minority shareholders, protection given by the Court, Board of Trade inspections, compulsory acquisitions of the shares of small minorities of dissenting shareholders, the impact on a general body of shareholders of share option and other schemes designed to give benefits to directors and employees are some, though by no means all, of these. But the length of a paper such as this needs to be kept within manageable limits; accordingly these additional matters receive no more than this passing mention.

69. The most important means of protection for a shareholder must be to give him adequate and reliable information. The amount of information that has been given him with the enactment of the Companies Act 1967 is considerable. Except in the case of companies enjoying exemptions from disclosure, it is hard to say that this information – extended in some areas by Stock Exchange requirements, and open to comment and interpretation by the Press – is seriously, if at all, inadequate. The more information that is given the more important it becomes that it should be presented in a digestible manner. Statutory and other requirements can only go so far. They can lay down what must be disclosed; they cannot ensure that poor presentation will not blur the picture.

70. Anything which discourages the growth of 'we and they' attitudes between directors and shareholders is to be welcomed. Institutions show some signs of being more openly active as shareholders than they have been in the past. Such activity, coming from persons who, though their holdings may be individually quite small, are recognized by directors as responsible and influential, must tend to help the position of shareholders generally. The individual small shareholder can also help himself by exercising his rights to attend general meetings and by making constructive comments and asking sensible questions at them. If he does this there is at least a chance that his stature will rise in the eyes of the directors.

71. A shareholder cannot be given protection; he can only be given the means of protection. He can be given adequate, reliable and well-presented information, and the right to attend, speak and vote at general meetings; he can read and study the financial Press; he can be given access to the Court or to a governmental department; and he can combine with other shareholders in bodies formed to protect his interests. All these means can be available to him, but he cannot be forced to use them. The choice is his. At the end of the day the final, decisive act of protection can only be done by himself. Only he can decide whether to go into, stay with, or get out of an investment.

(Concluded.)

Taxation Cases

Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'

Cheney v. Conn

In the High Court of Justice (Chancery Division) –
July 3rd, 1967

(Before Mr Justice UNGOED-THOMAS)

Income tax – Surtax – Revenue devoted to nuclear weapons – Whether assessment invalidated – Treaty-making – Statute to enforce – Geneva Conventions Act 1957 – Income Tax Act 1952 – Finance Act 1964, section 12.

The taxpayer appealed against an assessment under Schedule D for 1964–65 and against a surtax assessment for 1963–64, on the ground that the taxes paid by him pursuant to the assessments would be applied in part to the construction of nuclear weapons for use in certain circumstances. The grounds of the appeal were that the use of tax revenue in the construction of nuclear weapons was illegal in that such use conflicted with the conventions to which the Geneva Conventions Act 1957 was applicable, and because such use was contrary to international law.

Held: (1) no conflict existed between the Geneva Conventions Act 1957 and the Finance Act 1964, section 12, which imposed income tax and surtax for 1964–65; (2) there was no conflict with international law because the statute law of England prevailed in England over international law.

Alfred Wood & Company v. Provan

In the High Court of Justice – Chancery Division
July 28th, 1967

Before Mr Justice BUCKLEY

Income tax – Partnership business – Discontinuance – Sale of business – Part price apportioned to machinery and plant – No notice to purchaser – Balancing charge – Whether total purchase money apportionable – Whether just apportionment to plant and machinery – Income Tax Act 1952, sections 292, 323, 326, 329 – Finance Act 1952, Schedule 6, paragraphs 2, 3.

The taxpayers carried on in partnership a business of timber merchants and builders' merchants. They decided to discontinue business and the whole of the business assets were sold for £17,500 on October 22nd, 1957. The vending agreement apportioned the £17,500 as to £15,850 to the freehold premises, as to £400 to the plant and machinery, and as to the balance of £1,250 to other assets. The purchaser was a company, which caused a new company to be incorporated on November 4th, 1957, to take over the taxpayers' business, and two days later the new company

entered into an agreement with the purchaser company whereby it acquired all the assets that the latter had purchased from the taxpayers.

The taxpayers were assessed for 1957-58 in a balancing charge of £3,500 in respect of the plant and machinery sold by them. They contended that there was no jurisdiction to apportion the sale price, because the sale agreement itself contained a contractual apportionment, and because the apportionment was relevant to the liability of the

taxpayers alone; and that, alternatively, if an apportionment was competent the amount apportioned to the plant and machinery for the purpose of the assessment was not the correct amount. The General Commissioners decided in favour of the Revenue. Subsequently the taxpayers gave notice of a new point, namely, that the appeal had been heard without notice being given to the new company.

Held: the General Commissioners' decision was correct, and the new point was invalid.

The Accounting World

Topics of Professional Interest from Other Countries

UNITED STATES

Widening Education for Accountants

THE Editor's Notebook of *The Journal of Accountancy* quotes Mr Elmer B. Staats, Comptroller-General of the United States, as saying that, in implementing the programming-planning-budgeting system announced by President Johnson in August, 1965, the General Accounting Office is planning to recruit college graduates with majors in economics, industrial management, engineering, public and business administration, and mathematics.

The Comptroller-General further stated that accountants must learn to communicate and co-operate more effectively with their economist, planning and budgeting colleagues. Communication difficulties had to be overcome if agencies were to get the most out of cost/benefit analyses. Accountants must be able to speak or at least understand the language of the analysts, and they must be flexible enough to use statistical sampling and other techniques to supplement the information in the accounting records.

Computer Utilities

MR ROBERT P. BIGELOW, a member of the American Bar Association's Special Committee on Electronic Data Retrieval, and Chairman of the Boston Bar Association's Committee on Automation, emphasizes the value of time-sharing, the computer industry's new baby - christened 'the computer utility' - in *The Harvard Business Review*. Management must ask itself, he says, whether any new system to be introduced should be an 'in-house' facility, a time-shared facility, or a service bureau. In time-sharing, telephone and telegraph services are a large cost, but the costs are dropping and time-shared computer prices are dropping faster. In the light of this he warns that businesses with in-house machinery or using a service bureau should examine the position, otherwise stockholders may want to examine the question in the Courts. He comments that computer-maintained records have been held admissible in Court, but this was on

magnetic tape, while current computer storage is more and more on discs and drums, perhaps more subject to accidental erasure.

File security will be most important, and the parts of the file which control the operation of the computer, or update its internal data or operating programs, must be beyond the reach of anyone except management. Mr Bigelow thinks that the establishment of a new federal agency, with separate divisions to handle Government procurement and pricing, rate making, technical standards, and citizens' rights as to personal data, is a distinct possibility.

Tax Allocation

IT was reported in a recent issue of *The Journal of Accountancy* that meetings between the Accounting Principles Board of the American Institute of Certified Public Accountants and a broad cross-section of Government, industry, business and financial leaders have been held to explore the reaction to the Board's tentative conclusions as to accounting for taxes in financial statements. Publication of an official opinion is scheduled for December, but before then a draft being sent to some 7,000 persons and organizations for comment. If formally adopted by two-thirds of the Board, the opinion will then become effective for fiscal periods beginning after December 31st, 1967.

It was further reported that last July Messrs Price, Waterhouse & Co published a pamphlet opposing comprehensive income tax allocation, after which Messrs Lybrand, Ross Bros & Montgomery sent a letter to financial editors on the same subject. A condensation of the former and an article by the latter firm appear in the September issue of *The Financial Executive*, together with an article by Dr Arthur R. Wyatt, a manager for Messrs Arthur Andersen & Co, strongly supporting tax allocation. The profession in the United States - and in Canada - is undoubtedly divided on this subject.

Messrs Price, Waterhouse & Co claim that there is serious need for revision of tax allocation accounting, as now prescribed, and that their study of one hundred cor-

porations over the past twelve years does not support comprehensive allocation. They say that the basic question is whether a corporation will have to pay back to the Government accumulated tax reductions, and that the study shows aggregate paybacks to have been minute in comparison with the deferments resulting from accelerated depreciation and instalment sales. They believe there should be a general presumption that the income tax reported in the accounts for a year should be the amount shown on the tax return, except where specific non-recurring or sporadic differences between taxable and financial income may be reasonably expected to result in an increase or decrease in tax payments in the foreseeable future.

Messrs Lybrand, Ross Bros & Montgomery see this as a call for a return to a form of cash basis accounting which became obsolete years ago. Rejecting the assumption that growth will postpone payment of tax indefinitely, they argue that each individual transaction must be accounted for separately.

Audit Committees of Outside Directors

A STATEMENT issued by the American Institute of Certified Public Accountants recommends that publicly-held corporations appoint audit committees of outside directors to establish continuing liaison between the independent auditor and the board, especially on matters not satisfactorily resolved with management. Another recommendation is that an auditing firm replaced by another be given the opportunity to report to stockholders and comment on the reasons for its replacement.

The audit committee would submit for election by the full board its nomination of the public accounting firm that would conduct the annual audit. It would have authority to require the auditors to perform any supplemental reviews deemed desirable. Any significant question on the company's financial statements would be submitted by the auditors to the committee, which would advise the full board.

SOUTH AFRICA

Change of Names of Provincial Societies

DURING 1966 it was decided at National Council level that as all members of the four provincial societies of accountants in South Africa were chartered accountants (S.A.), it was desirable that the names of the societies should be changed to reflect this position.

The Cape Society of Accountants and Auditors was the first of the four societies to take steps to implement this decision. At a recent meeting of the Society, amendments to its articles of association were effected and in future the Society will be known as 'The Cape Society of Chartered Accountants'. The Society of Accountants and Auditors in the Orange Free State will shortly follow suit and is to be re-named 'The Orange Free State Society of Chartered Accountants'.

The Transvaal Society of Accountants and the Natal Society of Accountants are not in the same position as the Cape and Free State Societies. The latter bodies are voluntary associations, whereas both the Transvaal Society and the Natal Society are incorporated under Acts of Parliament of their respective States which were enacted before the Union of South Africa was set up in 1910. Both the Transvaal Society and the Natal Society will therefore have to promote amendments to their respective Acts

through the Parliament of the Republic of South Africa before they can effect the desired changes to their names. Steps to this end are now afoot and when so authorized, the two societies will be known as The Transvaal Society of Chartered Accountants and The Natal Society of Chartered Accountants.

LEBANON

Middle East Society of Associated Accountants

AT the recent annual general meeting of The Middle East Society of Associated Accountants, Mr Faud S. Saba, B.COM., F.A.C.C.A., was re-elected President of the Society for 1967-68. Other officers elected to the Council for the ensuing year are:

Vice-President: Mr Alexander N. Siman, S.C.F.

Secretary: Mr Fauzi F. Saba, D.B.A., C.P.A.(VA.), Box 4068, Beirut.

Treasurer: Mohamed A. Douaidy, A.C.W.A.

Messrs William S. Mitri, F.A.A.; Nihad N. Ibrahim-Pasha, PH.D.; Suhail M. Chamieh, M.B.A.; Henry A. Helou, A.A.C.C.A., and William A. V. Fuller, A.C.A.

CANADA

Taxing the Family Unit

DISCUSSING the basic proposal of the Royal Commission on Taxation to tax the pooled income of parents and children as a family unit in *The Canadian Chartered Accountant* (September), Mr D. Y. Timbrell, C.A. (Can.), chairman of the Canadian Institute's Tax Course Study Group, suggests that many will doubt whether the children's income does anything more than increase their independence. Exclusion of the children's income would leave the problem of preventing parents from splitting off their income to their children, but excluding children from the family unit would seem to have no important effect on the Commission's taxation package.

Mr Timbrell concludes that there is a great deal to be said for the family unit concept as applied to husband and wife. It eliminates inequities between couples whose income is derived entirely by the husband and those where it is received by both, and avoids problems of income splitting. Also it postpones death taxes until both spouses have died, so that a surviving spouse is more adequately protected.

AUSTRALIA

Laws on Take-overs and Over-subscriptions

THE Federal and State Attorneys-General have agreed in principle to tighten the laws on take-overs and over-subscription to debenture issues. They have decided that the early acceptors of take-over offers should be paid the same price as other investors who hold out. The corporation making a take-over bid must disclose the proportion of acceptances received when declaring its offer.

These acceptances should be withdrawn if the offer is not made unconditional within a reasonable time. This arrangement will have the effect of controlling those circumstances when a take-over bid carries with it the condition that a certain proportion of shareholders should accept the offer.

On the question of over-subscriptions to debenture issues the Attorneys-General decided that no sum in excess of 25 per cent of the target figure should be retained by the company making the debenture issue.

Finance and Commerce

Hindsight

HINDSIGHT is a 100 per cent producer of wisdom and therefore has itself to be used wisely. Mr George Ireland, F.C.A., chairman of The Leeds Fireclay Company – the accounts are the subject of this week's reprint – uses it sparingly and wisely in his comment on the company's current position. The accounts do not include a ten-year record, possibly because the exercise might prove a painful reminder to both board and shareholders.

But Mr Ireland looks back ten years to what he considers the root cause of the company's troubles which have meant a long sequence of poor results with the ordinary capital last receiving a dividend in 1961 when payment was 4 per cent. The cause of the trouble over the years has been the company's conventional refractories plant.

The best that can be forecast in this division of the group, in the absence of any marked improvement in demand from the steel industry, is a break-even position. Mr Ireland tells shareholders that in order to maintain continuity of output and to contribute towards overheads during the past four years, certain contracts for conventional refractories have been undertaken at marginal prices.

During this period there has been unremitting search for alternative products which, even if not immediately profitable, would 'justify the continued operation of the costly plant and equipment installed for the manufacture of conventional refractories as recently as 1957'.

Closure considerations

In the year under review, operation of the plant was particularly disappointing, mainly due to one major contract which seriously overtaxed the company's available resources and, in the final analysis, was largely accountable for the poor trading results. No significant loss is expected to fall into the current year since the contract is now virtually complete.

Current orders are such that the plant should operate on or near a break-even basis until next spring but the prospect of long-term profitable operation is obscure. 'The ultimate closure of this unit, an operation which at any time during the past four years might well have been fatal', Mr Ireland says, 'is now regarded as an exercise which, properly timed and carefully executed, could, if necessary, be carried out with little or no redundancy and to the long-term benefit of the stockholders'.

It is at this stage in his report that Mr Ireland looks back. He comments: 'In stating categorically that the very existence of this plant has been the root cause of this company's deplorable record over the past few years, I may be speaking with the wisdom of hindsight but with no intent to criticize or condemn a decision taken in good faith by a previous board – a decision which, had I been a member of the board at that time, would most probably have received my support'.

Looking at assets

When a company runs into a period of losses it is natural for shareholders to look hopefully at assets, and looking in this direction so far as Leeds Fireclay is concerned is an interesting, if not necessarily immediately rewarding, exercise. Note 1 (a) to the accounts gives the basis of a property development operation on eighteen acres of the company's land in conjunction with Norwest Construction Holdings. Satisfactory progress has been made in the initial phase but the final outcome may be long delayed with the project, as Mr Ireland says, 'exposed to Government measures which cannot be foreseen' and 'dependent upon the future state of the nation's economy'.

The company's twelve acre site at Elland Road, Leeds, is the subject of a compulsory purchase order but there is as yet no specific news as to when an order will be placed upon the property. The company will be entitled to substantial compensation for, in the contrary way of things, the salt glazed ware business carried on at the site is currently showing a satisfactory return.

Note 1 (b) referring to the present worth of the company's freeholds brings additional comment from the chairman. The current value of developable land is indicated by the transaction with Norwest Construction, but it does not follow that the same applies to the bulk of fixed assets.

Limited value

The assets – and the same is true of plant and machinery – are of a highly specialized character and, as such, would have a strictly limited value for any purpose other than that for which they were specifically constructed and installed. 'It is largely by the profitable employment of the company's fixed assets that current valuations can be justified', Mr Ireland comments, 'and it would be in the interests of all who are, or might be concerned, if future assessments of the company's worth by outside parties were to take this into account'.

Meanwhile the board is satisfied that the formula for yearly depreciation of all fixed assets is sound and realistic and it is intended that freehold properties, last valued in 1947, will be valued afresh during the current year.

On present trading, shareholders are told that the first two months of the current year showed a marginal net profit derived entirely from the building division where a reasonable intake of orders continues. Little or no profit can be expected from the refractory division while the steel industry recession continues. The substantial gains expected to arise outside the trading scope cannot be forecast in financial terms nor is it possible to assess when they will mature.

But at least the chairman is able to say that 'prospects of profitability in terms of both income and capital have improved considerably during the past six months'.

THE LEEDS FIRECLAY COMPANY LIMITED

BALANCE SHEET 30th JUNE 1967

1966	Valuation or Cost	Depreciation	£
628,844	514,655	17,950	496,705
332,300	662,668	345,066	317,602
19,766	36,785	15,728	21,057
980,910	£1,214,108	£378,744	835,364
30th June, 1966 Totals	£1,323,429	£342,519	
SUBSIDIARY COMPANIES:			
Shares at cost	155,288	155,288	
Amounts due on current account from Subsidiary Companies	170,172	17,990	
Deduct: Amounts owing on loan account to Subsidiary Companies	136,500	173,278	
		136,500	
33,672			36,778
ASSOCIATED COMPANY: (Note 1)			
Shares at cost	2,500	2,500	
Loan (Secured)	135,000	135,000	
			137,500
CURRENT ASSETS (NET):			
Stocks and Stores generally at cost with exceptions			
at net realisable value	246,409	208,524	
Debtors (less Provisions) and Prepayments	208,747	267,511	
Cash in Hand	1,105	968	
	456,261	477,003	
Deduct: Current Liabilities: (Note 2)			
Creditors and Accrued Charges	156,672	194,417	
Bills Payable	13,865	26,864	
Bank Overdraft (Secured)	126,807	122,158	
	297,344		
158,917			133,884
1,173,499			1,143,526
DEBENTURES, LOANS AND DEFERRED LIABILITIES: (Note 3)			
4% First Debentures (Secured)	193,600	193,600	
Ministry of Power Loans (Unsecured)	34,224	26,148	
Amounts outstanding under Hire Purchase Agreements	6,138	6,030	
	233,962		
Total Net Assets	£939,537		£917,748
REPRESENTED BY:			
SHARE CAPITAL:			
Preferred Ordinary Stock	500,000	Issued 500,000	
Ordinary Stock	100,000	500,000	
Preferred Ordinary Shares of £1 each	100,000	100,000	
	600,000	£700,000	600,000
CAPITAL RESERVES:			
General	164,422	164,422	
Klin Replacement	65,000	65,000	
	229,422		229,422
REVENUE RESERVES: (Note 4)			
General	109,165	84,958	
Profit and Loss Account	930		
	110,115		84,958
339,537			314,380
DEFERRED CREDIT: (Note 5)			
Investment Grants			3,368
George Ireland			£917,748
J. G. Johnston			
Directors			

THE LEEDS FIRECLAY COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET 30th JUNE 1967

1966	Valuation or Cost	Depreciation	£
628,844	514,655	17,950	496,705
342,788	677,960	351,424	326,536
21,657	38,236	16,183	22,053
993,289	£1,230,851	£385,557	845,294
30th June, 1966 Totals	£1,340,884	£347,595	
SUBSIDIARY COMPANIES:			
Excess cost of shares over book value of net assets at date of acquisition	6,930		6,930
ASSOCIATED COMPANY: (Note 1)			
Shares at cost	2,500	2,500	
Loan (Secured)	135,000	135,000	
			137,500
CURRENT ASSETS (NET):			
Stocks, Stores and Work in Progress generally at cost with exceptions at net realisable value			
Debtors (less Provisions) and Prepayments	221,031	221,031	
Balance at Bank and Cash in Hand	291,130	291,130	
	2,989		
Deduct: Current Liabilities: (Note 2)			
Creditors and Accrued Charges	203,804	203,804	
Bills Payable	26,864	26,864	
Bank Overdraft (Secured)	122,158	122,158	
	352,806		
162,344			1,152,068
DEBENTURES, LOANS AND DEFERRED LIABILITIES: (Note 3)			
4% First Debentures (Secured)	193,600	193,600	
Ministry of Power Loans (Unsecured)	26,148	26,148	
Amounts outstanding under Hire Purchase Agreements	6,030		
	225,778		
Interest of outside shareholders in a subsidiary company	5,099		
	230,877		
Total Net Assets	£921,191		£921,191
REPRESENTED BY:			
SHARE CAPITAL:			
Preferred Ordinary Stock	500,000	Issued 500,000	
Ordinary Stock	100,000	500,000	
Preferred Ordinary Shares of £1 each	100,000	100,000	
	£700,000	£600,000	600,000
CAPITAL RESERVES:			
General	164,422	164,422	
Klin Replacement	65,000	65,000	
	229,422		229,422
REVENUE RESERVES: (Note 4)			
General	109,165	84,958	
Profit and Loss Account	88,401		
	317,823		3,368
DEFERRED CREDIT: (Note 5)			
Investment Grants			
George Ireland			£921,191
J. G. Johnston			
Directors			

THE LEEDS FIRECLAY COMPANY LIMITED
AND SUBSIDIARY COMPANIESCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th JUNE 19671966
£
51,096

40,036
1,704
7,744
10,856
638
15,007
2,200
17,845
1,507

Trading Profit	..	..	..	..	..	£	£	£	61,013
Deduct:									
Depreciation of Fixed Assets (Note 5)	..	..	..	..	..	..	..	43,885	
Staff Superannuation Scheme	..	..	..	..	..	..	..	2,609	
Debenture Interest	..	..	..	..	..	..	..	7,744	
Bank and Loan Interest	..	..	..	..	..	..	..	11,424	
Directors' Emoluments:									
Fees	..	..	..	..	..	..	975		
Other Emoluments	..	..	..	..	..	..	12,176		
Compensation for Loss of Office	..	..	..	..	..	..	—

13,151
1,50080,313
19,3001,464
20,76424,207
3,443

£3,443

£

NOTES ON THE ACCOUNTS

1. Fixed Assets and Associated Company:

(a) The Company acquired during the year at a cost of £2,500 one half of the issued share capital of a Property Development Company. At the same time the Company sold to the Development Company approximately eighteen acres of its freehold land at Farnley for the sum of £135,000. The consideration was left on loan secured by a mortgage on the land transferred. The loan will be repaid as the land is developed and the properties to be erected thereon are sold.

The consideration amounting to £135,000 has been credited in the Balance Sheet against the book value of Freehold and Leasehold Land.

(b) The Directors have considered the Company's policy in relation to depreciation of Freehold land and Buildings, and are of the opinion that it is reasonable bearing in mind their assessment of the present worth of these assets, which is, in their opinion, not less than the net book value shown in the Balance Sheet at 30th June, 1967.

2. Current Liabilities:

The Company's Bankers have a Mortgage and General Charge on the assets of the Parent Company subject to the prior claim of the holders of the 4% First Debentures.

3. Debentures, Loans and Deferred Liabilities:

The 4% First Debentures are secured by a floating charge on all the property and assets of the Parent Company.

4. Movements on Reserves:

Revenue Reserve — General:	Parent	Subsidiary Companies	Total
Balance at 1st July, 1966	109,165
Transfer to Profit and Loss Account	24,207
Balance at 30th June, 1967	£84,958

5. Deferred Credit:

Investment Grants:

Investment Grants are being released to the credit of Profit and Loss Account by a reduction in the charge for depreciation over the average life of the assets—stated at their gross cost in the Balance Sheet—attributing such Grants.

The amount of the release during the year under review is £485 as follows:

	1967	1966
Parent Company	..	..
Subsidiary Companies	..	..
	£485	£—

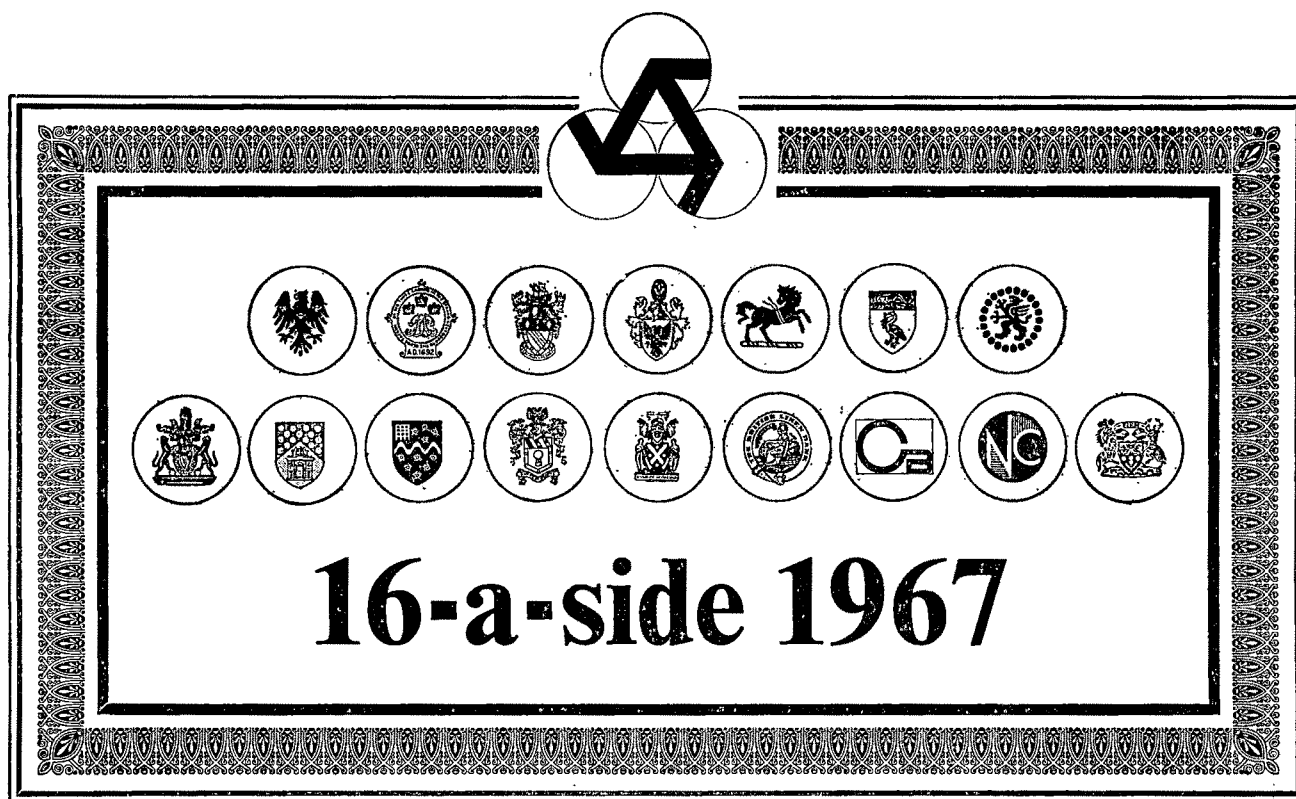
6. Capital Expenditure:

Further capital expenditure has been authorised, not provided in the Accounts, estimated as follows:

	1967	1966
Parent Company	..	..
Subsidiary Companies	..	..
	£25,800	£7,000

7. Taxation:

No charge for taxation arises on the results shown by the Accounts owing to the availability of losses brought forward.



*L to R back row: Barclays / Coutts / District / Glyn, Mills / Lloyds / Martins / Midland /
front row: National / National Provincial / Westminster / Williams Deacon's / Bank of Scotland / British Linen / Clydesdale /
National Commercial Bank of Scotland / Royal Bank of Scotland.*

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CITY NOTES

RENEWED worrying about sterling has set in to make City markets apprehensive. The further rise in Bank rate, which was generally forecast when the rate was hoisted half a point last month, is now being viewed in terms of inevitability. The Treasury bill rate is moving up towards 6 per cent Bank rate and sterling is still a tender market. But for the Swiss banks' loan, the gold and currency reserves would have been heavily down again last month and, although International Monetary Fund loan repayment liabilities have been reduced, the reserves position still gives cause for concern.

The October trade figures cannot be anything other than bad and even if that position is acknowledged in advance, the undeniable fact of the situation is not one calculated to assist sterling in any way. That is particularly so since poor trade experience seems likely to drag over into November to a considerable extent.

Meanwhile, the equity sections of the stock-market are still buoyed up by the inflation/devaluation factor and by evidence of at least some short-term improvement in business confidence. It is debatable whether the market ought to be translating this confidence into terms of higher earnings, particularly in view of the steep climb in industrial costs in the past two months.

Most brokers are preaching caution to their clients at the present pitch of prices, but most are still maintaining faith in equities as the only worth-while long-term form of investment.

* * * *

THIS week the London Clearing and Scottish banks opened a publicity scheme – to cost well over £500,000 – in connection with bank credit transfer systems. The accent is on the point that there are now two forms of payment – cheques and 'Bank Giro', the latter covering standing orders,

credit transfer, direct credits and all. The Post Office Giro is not due to become operational until about this time next year and the banks are naturally getting their oar in first. Development of Bank Giro will become stronger as inter-bank computer networks start working. This is the first time that all banks have got together in one major publicity and public relations exercise.

* * * *

ON the stock-market, bank share dealings are currently being carried out against an inevitable background of take-over and merger rumours – 'inevitably' because the stock-market as a whole is currently dominated by take-over events. Once again Martins Bank is caught up in rumours of a merger with the Royal Bank of Scotland and there is also talk of Commercial Bank of Scotland becoming a straight subsidiary of Lloyds Bank. As these notes are written there is no confirmation of any of the varied market talk, but once 1967 banking results are announced events may begin to provide their own confirmation.

* * * *

GETTING back to first principles is a process advocated more often than not in times of stress, but it is interesting to note how well the Save and Prosper unit trust group has done with its new general units which are to all intents and purposes a 'first principles' matter. The trust concentrates on front rank equities and offers a yield in the 4½ per cent region and thereby combines the original unit trust bases of spread of general equity interest and fair return. The combination has brought in very strong demand for units and a block offer of one million units was open this week. The trust was launched seven weeks ago and more than seven million units were sold in the first week.

RATES AND PRICES

Closing prices, Tuesday, November 7th, 1967

Tax Reserve Certificates: Companies 3½% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate						Foreign Exchanges					
Feb. 27, 1964 ..	..	5%	Jan. 26, 1967 ..	..	6½%	New York ..	2·78½	Frankfurt ..	11·10½	13½
Nov. 23, 1964 ..	..	7%	Mar. 16, 1967 ..	..	6%	Montreal ..	2·99	Milan ..	1732½	16
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%	Amsterdam ..	10·00½	Oslo ..	19·90½	11
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%	Brussels ..	138·09½	Paris ..	13·63½	11
						Copenhagen ..	19·32½	Zürich ..	12·03½	11	
Treasury Bills											
Sept. 1 ..	£5 5s	9·56d%	Oct. 6 ..	£5 9s	6·65d%						
Sept. 8 ..	£5 5s	9·40d%	Oct. 13 ..	£5 9s	6·39d%						
Sept. 15 ..	£5 5s	9·26d%	Oct. 20 ..	£5 14s	6·92d%						
Sept. 22 ..	£5 7s	4·65d%	Oct. 27 ..	£5 14s	6·36d%						
Sept. 29 ..	£5 ½ 9s	5·98d%	Nov. 3 ..	£5 17s	1·93d%						
Money Rates						Gilt-edged					
Day to day ..	..	4½–5½%	<i>Bank Bills</i>			Consols 4% ..	57½	Funding 6% 1993 ..	88½	16
7 days ..	..	5½–5¾%	2 months ..	..	6½–6¾%	Consols 2½% ..	36½	Savings 3% 60–70 ..	89½	16
<i>Fine Trade Bills</i>			3 months ..	..	6½–6¾%	Conversion 3½% ..	50½	Savings 3% 65–75 ..	76½	16
3 months ..	..	7–7½%	4 months ..	..	6½–6¾%	Conversion 5% 1971	93½	Treasury 6½% 1976	99½	16
4 months ..	..	7–7½%	6 months ..	..	6½–6¾%	Conversion 5½% 1974	92½	Treasury 3½% 77–80	75½	16
6 months ..	..	6½–8%				Conversion 6% 1972	96½	Treasury 3½% 79–81	71½	16
						Funding 3½% 99–04	56½	Treasury 5% 86–89	77½	16	
						Funding 4% 60–90	95½	Treasury 5½% 08–12	80½	16	
						Funding 5½% 78–80	86½	Treasury 2½% ..	35½	16	
						Funding 5½% 82–84	86½	Victory 4% ..	96½	16	
						Funding 5½% 87–91	85½	War Loan 3½% ..	49½	16	

The Role of Professional Accountants in the Civil Service

The following memorandum, referred to in a leading article in this issue, has been submitted to the Committee on the Civil Service – the Fulton Committee – by the Accountants' Joint Parliamentary Committee

THE Accountants' Joint Parliamentary Committee, which comprises the four bodies of accountants to which members of the professional accountant class in the Civil Service must belong (namely, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland and The Association of Certified and Corporate Accountants), have been invited to give the Committee on the Civil Service their views on the employment and role of professional accountants within the service.

(2) Throughout this memorandum the term 'professional accountant' is used to denote accountants belonging to the four bodies, membership of which, as noted, is an essential requirement for admission to the professional accountant class. We recognize that members of those bodies may be recruited into the Civil Service to hold positions outside the professional accountant class, but our comments are confined to the nature and scope of the work done by the professional accountant class as such.

(3) In expressing our views we have kept in mind that the non-industrial whole-time staff of the Civil Service numbers 800,000 and that in 1966 central government current expenditure was £10,000 million. It is plain that the efficient running of an organization of this order demands full use of modern techniques of management control.

(4) We do not doubt that the Civil Service is well aware, and is making increasing use, of such techniques, though we are not in a position to judge how extensively they are applied.

(5) It does, however, appear to us that the Civil Service has failed to recognize the essential contribution to be made to management by professional accountants. In this respect it is at variance with developments widely and actively pursued in the private sector in the last thirty or forty years.

(6) We believe the point is demonstrated by the fact that there are only about 350 permanent posts for professional accountants as such in the Civil Service, and these are mainly concerned with routine accounting functions, which, although important in themselves, are not the only functions or even the most significant ones which professional accountants are equipped to carry out and which in the private sector they are today called on to perform; in the latter sphere their work is largely directed towards matters of financial policy, administration and management.

(7) The 350 posts established for professional accountants in the Civil Service should be compared with the fact that out of some 60,000 members of the accountancy bodies subscribing to this memorandum, approximately 25,000 are estimated to be employed in industry and commerce. This

development has arisen mainly over the past thirty or forty years, and has accelerated since the end of the Second World War. In 1900 the combined membership of the four bodies (or their predecessors) subscribing to this memorandum was about 5,000, of whom only a handful were employed in industry or commerce. The Civil Service has evidently believed it unnecessary to invest in professional accountants on anything like the same scale as the private sector.

(8) Not only is the number of posts established for professional accountants small, but their distribution amongst the departments seems to be on an inconsistent basis. Some major departments – the Home Office, the Ministry of Health and the Ministry of Housing and Local Government for instance – employ no members of the professional accountant class at all, nor is full advantage taken of the skill of professional accountants in the context of the audit function, despite the dominating importance of the latter in the work of professional accountants in public practice.

(9) One of the main reasons for the increased use of professional accountants in the private sector is that the numbers, size and complexity of businesses have grown enormously, calling for much more sophisticated techniques of organization, management and control. In the development, application and operation of these techniques professional accountants play a vital role. The Civil Service too has grown enormously in size and complexity. We believe that this growth makes it essential to give wider scope for constructive participation in the work of the Civil Service by professional accountants with the requisite skills.

(10) It is axiomatic that, to operate effectively, all large organizations must define and divide areas of responsibility and delegate responsibility for them to selected managers. This in turn involves the fixing of clear objectives and of accountability for the use of given resources. In these processes the role of professional accountants includes the planning, creation and maintenance of a flow of relevant information and analysis for management which will help to define policies and objectives, measure progress towards their achievement, show up serious deviations, and account for resources. To be specific we have in mind, for instance, a more intensive and sophisticated application within departments, or other defined units of accountability, of such well established techniques as budgetary control and the evaluation and budgeting of capital investment projects. We would expect that the more extensive employment of professional accountants within the Civil Service as an integral part of the management staff, particularly, but by no means solely, within the major spending and contracting departments, would make an immediate contri-

bution to the efficiency of the Service, and we believe that such a development would be an essential prerequisite to any new approach to cost control and economies.

(11) The need to make greater and more effective use of professional accountants has been emphasized particularly in recent years by disclosures of substantial differences over levels of profit achieved on Government contracts. We think it is fundamental that the departments concerned should have available on their staff trained accountants of high calibre to provide financial management and evaluate and interpret financial statements and data.

(12) In our submission the Civil Service should substantially expand the numbers and role of the professional accountants it employs. If this is accepted we think that an essential prerequisite for its implementation is that the status and quality of professional accountants in the Civil Service should be raised by improving pay and promotion prospects. In particular, it should be possible for members of the professional accountant class with the necessary qualities to attain the highest posts in the Administrative Class. Unless there are opportunities for advancement of this nature we do not think that the Civil Service will be able to recruit professional accountants of the calibre it needs.

(13) At the present time a newly qualified accountant in London may expect a starting salary of not less than £1,500 p.a.; thereafter, for a man of suitable calibre and experience, the broad salary progression would be from, say, £1,700 p.a. at age 25-26 to £3-3,500 p.a. at age 34-35. This should be compared with the present salary scale for accountants in the professional accountant class, which is age-pointed from £1,200 p.a. at age 25 to £1,700 at age 34. The senior accountant grade, to which about two-thirds of the professional accountant class belong, has a pay range of £1,700 to £2,300 p.a. and by comparison on this basis ranks rather lower than senior executive officer grade. (Pay scales have been cited in round figures.)

(14) The most senior position open to members of the professional accountant class is that of director, which is equivalent in pay range to that of assistant secretary. Only four such posts are held at the present time. The promotion and associated remuneration prospects of professional accountants are thus strictly limited. In fact, despite their qualifications, members of the professional accountant class are not regarded as eligible for appointments in the important field of general financial management and control, since these are restricted to members of the Administrative and Executive classes. We find this incomprehensible. It is in contrast with the positions of highest responsibility open to and held by professional accountants in commerce and industry.

(15) The limits imposed on the scope and prospects of professional accountants in the Civil Service have inevitably had an adverse effect on morale and quality. It is not surprising that in recent years there has been a shortage of recruits of suitable standard to fill even the limited number of posts available (on January 1st, 1966, there were eighty-three unfilled vacancies out of 358 permanent posts available).

(16) To summarize, we think far more extensive and effective use should be made of professional accountants in the Civil Service. Two complementary changes will be necessary to attract men of the necessary calibre and make the fullest use of their talents. First, we think it will be

necessary for present salary scales for professional accountants employed by the Civil Service to be revised to bring them more into line with those offered by firms of practising accountants and commercial employers. Second, we think it will be necessary for the Service to allow full opportunity for professional accountants to achieve promotion to higher posts including posts not necessarily directly associated with the exercise of the specialism in which they have been trained. The capacity of professional accountants to contribute to organizations in the wider sphere of general management is amply witnessed by the great numbers of them holding high executive posts in many leading British industrial and commercial undertakings, and we think the Civil Service should not deny itself the opportunity of making the fullest use of the abilities of such men.

Brighton Dinner

AN end to Budget secrecy, with the submission of proposed tax changes to public scrutiny beforehand was advocated by Mr R. G. Leach, C.B.E., F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of the South Eastern Society of Chartered Accountants held at the Hotel Metropole, Brighton, on November 3rd.

He was cheered by the gathering of 460 when he said: 'Another field where the Institute Council has been urged to act is in regard to the intolerable burden of current legislation, particularly taxation, on the small practitioner, and indeed on most of us.'

'Believe me, we have tried, and not only for the benefit of the small practitioner. We have repeatedly put forward suggestions for simplifying capital gains tax on the most logical bases and we have been rejected on the grounds of "social justice".'

'We have pressed Somerset House to consult us at earlier stages so as to avoid unworkable legislation being presented, but this is rejected on the grounds of Budget secrecy. I think this is poppycock.'

'Secrecy has not been looked upon as a deterrent in the United States, where proposed tax changes are often exposed for months beforehand, and we shall continue our war on these fronts'.

Accountants' public image

Referring to the public image of the profession, Mr Leach said that the image of the accountant in Britain was higher than that of accountants in any other country. Unlike the United States where lawyers were maintaining their grip on commerce and business, British accountants had become an integral part of the commercial and business world.

Mr Leach continued: 'Unfortunately there has been some unfavourable publicity in recent years over company failures, usually related to stock and work in progress. This has not been confined to small firms, but to firms of all sizes. We have seen snide remarks in the Press suggesting that the watchdog has been sleeping. What can be done?'

'The Council has normally no disciplinary powers in

regard to unsatisfactory work; we can only exhort and advise by issuing Council recommendations, providing courses, lectures and the like.

'I believe there is an increasing awareness of the modern methods of auditing which concentrate on tests in depth and on thorough confirmation of balance sheet items and work in progress rather than routine checking.

'A special committee has recently been set up to consider the problem of standards of professional work. In addition, we have met the City Editors on numerous occasions to explain our professional difficulties as regards events which occur after the last balance sheet date, and I believe the Press's attitude has shown an appreciable improvement'.

Commenting on the plans for the development of the profession, Mr Leach said that there had been a large measure of approval of the outline proposals from district

societies and branches, although he realized that there were some misgivings. He added: 'Of one thing I am sure, we cannot stand still in these days of change and we would be foolish to rely on any established position of privilege or advantage. If our members and the members of the other bodies approve the scheme, we shall become the largest body of professional accountants in the world.'

Mr Leach was replying to the toast of 'The Institute of Chartered Accountants in England and Wales and the Accountancy Profession' proposed by Mr Roy Borneman, Q.C.

The toast of 'The Guests' was proposed in a series of rhyming couplets by Mr D. H. Tonkinson, F.C.A., President of the South Eastern Society, and Mr J. L. Bowron, LL.B., a Past President of the Worthing Law Society, replied in a witty speech, partly in impromptu verse.

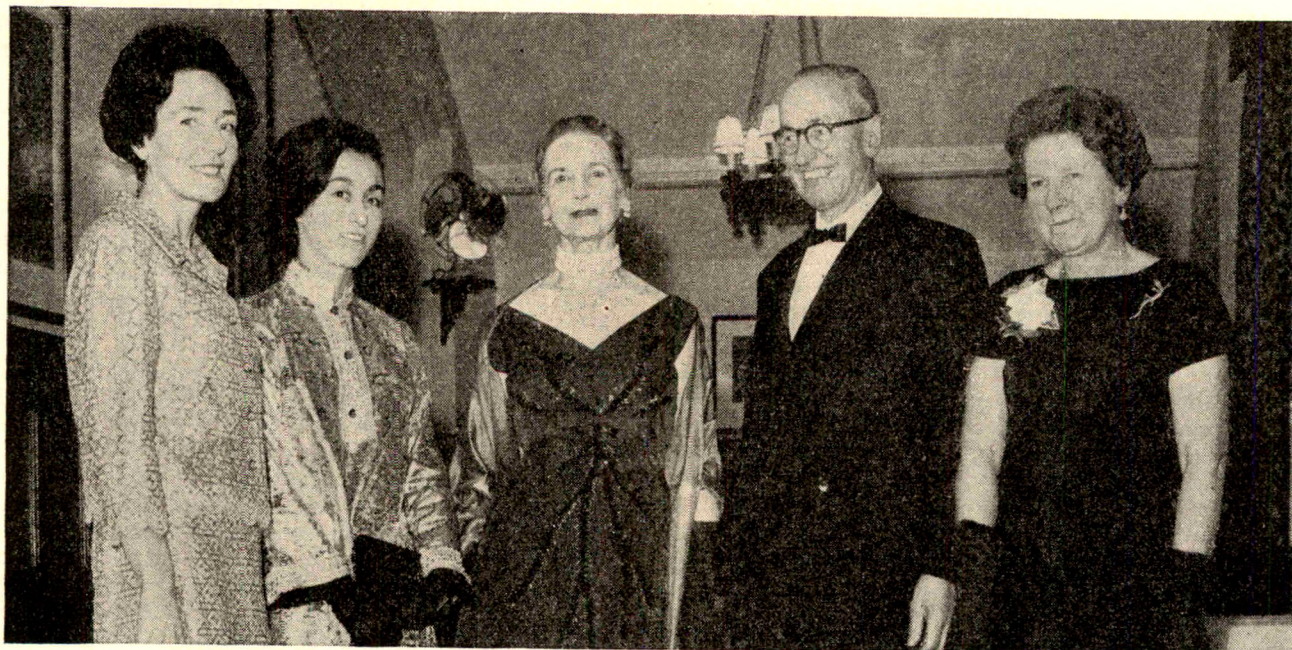
Certified Accountants Women's Society

Dinner at House of Commons

THE second annual dinner of The Certified Accountants Women's Society was held in the Harcourt Room of the House of Commons on November 3rd. Miss V. J. Di Palma, F.A.C.C.A., F.T.I.L., Chairman of the Society, presided and proposed the toast of 'The Association of Certified and Corporate Accountants' to which Mr E. Lediard Smith, F.A.C.C.A., Vice-President of the Association, replied.

Dame Joan Vickers, D.B.E., M.P., who sponsored the dinner, proposed the toast of the Society and emphasized the need for women accountants to play a greater part in the running of the country – not only in industry but in Parliament and the Civil Service. Miss E. Thurston, F.C.A., F.A.C.C.A., responded on behalf of the Society.

The toast of 'The Guests' was proposed by Miss M. Mellor, F.A.C.C.A., and Mrs Hilda Wilson, B.A., replied.



Pictured at the dinner, left to right: Mrs Hilda Wilson, B.A.; Miss V. J. Di Palma, F.A.C.C.A., F.T.I.L., Chairman of the Society; Dame Joan Vickers, D.B.E., M.P.; Mr E. Lediard Smith, F.A.C.C.A., Vice-President of the Association, and Miss J. D. Denly, F.A.C.C.A., Secretary of the Society.

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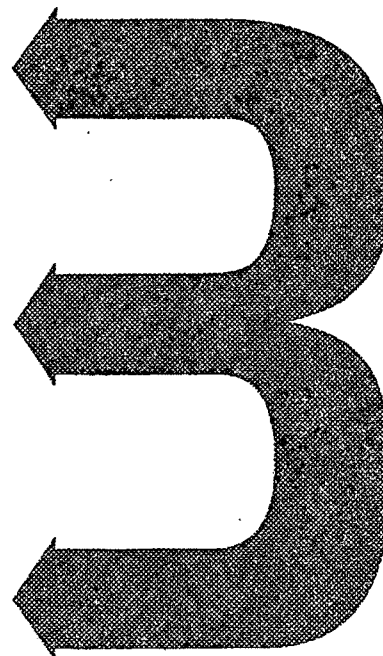
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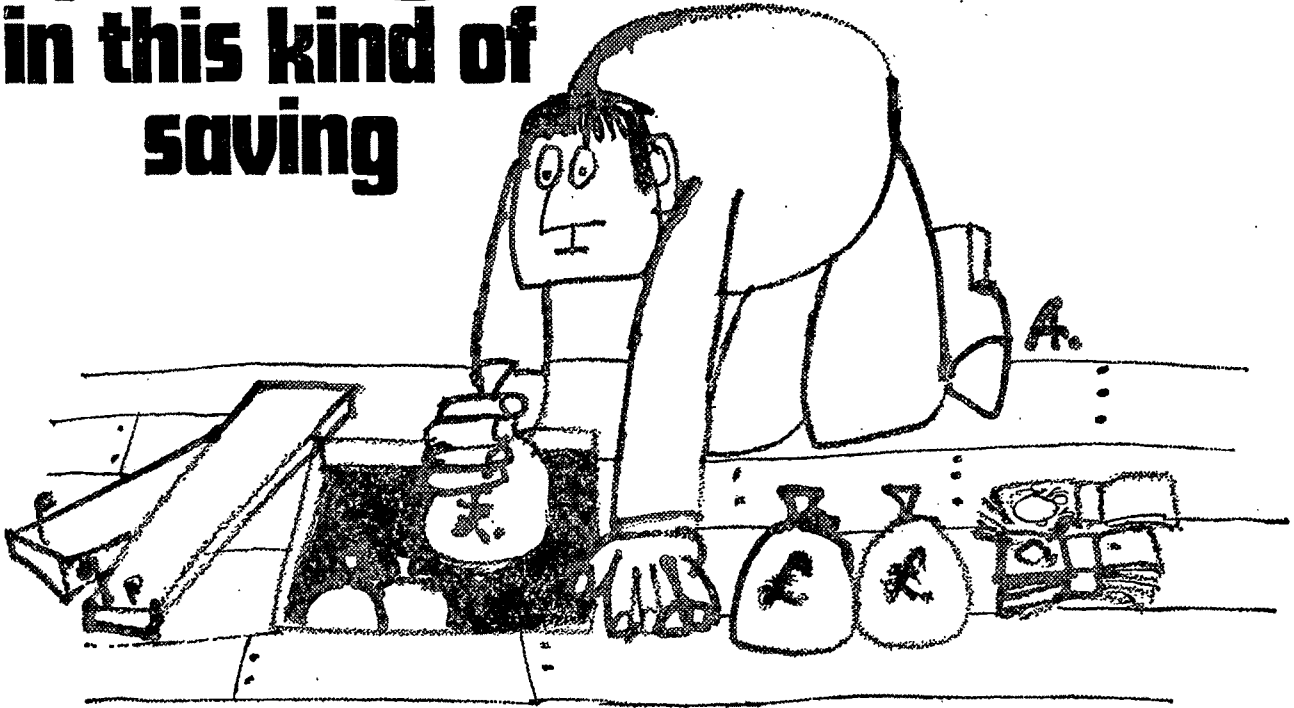
MR.....

ADDRESS.....

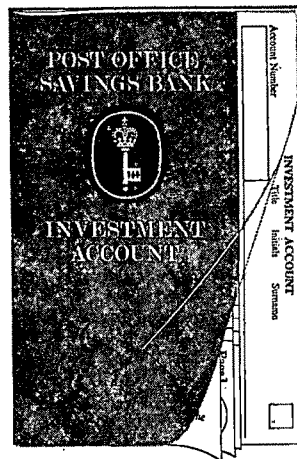
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The Institute of Chartered Accountants in England and Wales

Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, November 1st, 1967, there were present:

Mr W. E. Parker, C.B.E., President, in the Chair; Mr S. Dixon, Deputy-President; Mr R. G. Leach, C.B.E., Vice-President; Messrs J. F. Allan, J. A. Allen, G. R. Appleyard, C. J. M. Bennett, Sir Henry Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, L. H. Clark, D. A. Clarke, R. W. Cox, W. G. Densem, P. H. Dobson, S. M. Duncan, J. V. Eastwood, R. W. Foad, J. W. G. Frith, J. P. Grenside, S. C. Hand, W. Hare, J. S. Heaton, J. A. Jackson, A. W. John, C.B.E., H. O. Johnson, H. Kirton, T.D., S. Kitchen, R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, S. A. Middleton, D. S. Morpeth, T.D., W. Bertram Nelson, C.B.E., E. J. Newman, F. E. Price, C.B.E., D. W. Robertson, J. D. Russell, E. C. Sayers, K. J. Sharp, T.D., R. G. Slack, H. G. Smith, G. Tattersall-Walker, A. G. Thomas, D. C. Urry, A. H. Walton, D. N. Walton, A. S. Watson, F. J. Weeks, J. Whitehead, J. C. Montgomery Williams, E. K. Wright.

Expression of Decimal Amounts

The Council approved for submission to the Decimal Currency Board on behalf of The Institute of Chartered Accountants in England and Wales as one of the member bodies of the Accountants' Joint Parliamentary Committee a letter containing comments and recommendations by the A.J.P.C. bodies as to the method of expression of decimal amounts.

The Council also approved for submission to the British Standards Institution on behalf of The Institute of Chartered Accountants in England and Wales as one of the member bodies of the Accountants' Joint Parliamentary Committee, replies by the A.J.P.C. bodies to a questionnaire on the choice of decimal sign.

Filing of accounts of formerly exempt private companies after 26th January, 1968

The Institute of Chartered Accountants in England and Wales, The

Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland, and The Association of Certified and Corporate Accountants have jointly asked the Board of Trade for clarification of the position regarding the filing of accounts (under the provisions of the Companies Act 1967) by formerly exempt private companies on or after January 27th, 1968, where the return is made up to an earlier date. The Board of Trade have replied as follows:

'Whether accounts must be attached to an annual return made up to a date before January 27th, 1968, but forwarded to the Registrar of Companies after January 26th, by a company which was at the date to which the return was made up an exempt private company is not, in the Board of Trade's view, wholly free from doubt. The Board themselves would not in such a case take any action against the company by reason only that accounts are not annexed to the return, provided that a certificate in the usual form (i.e. stating that the company satisfied the exemption provisions of section 129 of the Companies Act 1948) is sent with the return.'

The Role of Professional Accountants in the Civil Service

The Council received a memorandum 'The Role of Professional Accountants in the Civil Service', submitted on October 23rd, 1967, by the Accountants' Joint Parliamentary Committee at the invitation of the Committee on the Civil Service (the Fulton Committee).

Committee on Invisible Exports

The Council noted that as a result of an inquiry being made among practising firms in the United Kingdom, the Isle of Man and the Channel Islands, at the request of the Committee on Invisible Exports (sponsored by the British National Export Council), the Committee on Invisible Exports has reported that the foreign earnings of practising firms during 1965 were shown to have been £1,052,000 based

on the information supplied by about 3,700 practising firms out of the possible total which could have replied of between 5,500-6,000. The Council noted this considerable contribution to the country's invisible export earnings.

Appointments to Committees

The Council made the following appointments to committees:

Articled Clerks Committee:

Mr J. Whitehead.

Courses Committee:

Mr J. Whitehead.

Education Committee:

Mr E. J. Newman.

Mr D. N. Walton.

Technical Committee:

Mr J. A. P. Whinney (co-opted member).

Registration of Articles

The Secretary reported the registration of 467 articles of clerkship during September, the total number since January 1st, 1967, being 1,722.

Admission to Membership

The following were admitted to membership of the Institute:

Almond, David William, A.C.A., 1967; 167 Purley Oaks Road, Sanderstead, South Croydon, Surrey, CR2 0NZ.

Bate, Christopher Leslie, A.C.A., 1967; 8 Kenton Park Avenue, Kenton, Harrow, Middlesex.

Bateman, Edwin Charles Howard, A.C.A., 1967; 2 South Road, The Park, Nottingham.

Berger, Geoffrey David, A.C.A., 1967; 1 Philips Drive, Whitefield, Manchester.

Binns, Trevor, A.C.A., 1967; 5 The Park, Towngate, Southowram, Halifax.

Bliss, Nicholas John, B.A., A.C.A., 1967; 45 Shooters Hill Road, Blackheath, London SE3.

Booth, Sidney John Graham, A.C.A., 1967; 148 Radcliffe Road, West Bridgford, Nottingham.

Brierley, John Clegg, LL.B., A.C.A., 1967; 22 Abbots Park, London Road, St Albans, Herts.

Brookes, John Russell, A.C.A., 1967; 11 High Street, Ilchester, Yeovil, Somerset.

Cade, David Patrick Gordon, B.A., A.C.A., 1967; 5 Denham Court, 67 Fairfax Road, London NW6.

- Calcutt, David Patrick, A.C.A., 1967; 53 Naseby Road, Solihull, Warwicks.
- Cannon, Michael Charles St Johnston, B.A., A.C.A., 1967; 74 Wellington Road, Birmingham 15.
- Chalmers, John Gerald William, A.C.A., 1967; 3 Lee House, 88 Drayton Gardens, London SW10.
- Clatworthy, Barrie James, A.C.A., 1967; 16 Blenheim Road, Moseley, Birmingham 13.
- Clewley, Terence Leonard, A.C.A., 1967; 16 Common Lane, Cannock, Staffs.
- Collinson, Charles Robert, A.C.A., 1967; Poplar House, Rise Lane, Skirlaugh, near Hull.
- Collis, Nigel Leigh, B.COM., A.C.A., 1967; 118A Ashley Gardens, London SW1.
- Cooper, David John Michael, A.C.A., 1967; 164 Foley Road West, Streetly, Sutton Coldfield, Warwicks.
- Corke, Richard Dudley, B.A., A.C.A., 1967; 8 Uplands Road, Saltford, Bristol.
- Coulton, Michael Trevena, B.A., A.C.A., 1967; 41 Oakhill Court, Edge Hill, London SW19.
- Cox, Anthony Norman, A.C.A., 1967; 4 Vale Mansions, Vale Road, Bournemouth.
- Dressler, Michael David Jacques, A.C.A., 1967; c/o 88 Bournemouth Road, Parkstone, Dorset.
- Drury, Graham Roger, A.C.A., 1967; 43 Green Street, Brockworth, Gloucester.
- Elliot, Graeme Arthur, M.A., A.C.A., 1967; 142 Pavilion Road, London SW1.
- Fadojutimi, Amos Oluwole, LL.B., A.C.A., 1967; 61 Brudenell Road, Leeds 6.
- Fletcher, David Elliott, M.A., A.C.A., 1967; 29 Inglewood Road, London NW6.
- Frost, David Ewen, A.C.A., 1967; 'Long Meadow', 1 Brandon Avenue, Woodley, Berks.
- Frost, William, A.C.A., 1967; 25 Chatsworth Avenue, Radcliffe-on-Trent, Nottingham.
- Gaffney, Geoffrey Howard, A.C.A., 1967; 2 Pond Lane, Chalfont St Peter, Bucks.
- Gee, Peter Mackworth, B.A., A.C.A., 1967; 'Uplands', Pond Road, Hook Heath, Woking, Surrey.
- Godfrey, Stephen, A.C.A., 1967; Chapel Lane, Clifford, Boston Spa, Yorkshire.
- Golding, Jeffrey Louis, A.C.A., 1967; 106 Norfolk House Road, Streatham, London SW16.
- Goldstein, Anton Raymond, A.C.A., 1967; 33 Northiam, Woodside Park, London; N12.
- Gravestock, Peter Stanley, A.C.A., 1967; 25 Ebrington Road, West Bromwich, Staffs.
- Greenberg, Gerald Ralph, B.A., A.C.A., 1967; 55 Waterpark Road, Salford 7, Lancs.
- Gude, Charles Peter Brigstocke, A.C.A., 1967; with Deloitte, Plender, Griffiths & Co, 128 Queen Victoria Street, London EC4.
- Hailey, John Anthony, B.A., A.C.A., 1967; 29 Normandy Road, Cleethorpes, Lincs.
- Hardman, Eric Robert, B.A., A.C.A., 1967; Lilac Cottage, Netherley Road, Tarbock, Prescott, Lancs.
- Hargreaves, David Neil, A.C.A., 1967; 13 Beaufort Road, Kingston upon Thames, Surrey.
- Harmer, John Robert, B.A., A.C.A., 1967; 11 Chadacre Avenue, Clayhall, Ilford, Essex.
- Harrison, Mark William Damer, B.A., A.C.A., 1967; Chickney Hall, Broxted, Dunmow, Essex.
- Hawksfield, John Peter, A.C.A., 1967; Oakleigh Farm, Shipley, Horsham, Sussex.
- Hermion-Taylor, Christopher Guy, A.C.A., 1967; 9 Cambridge Gate, Regents Park, London NW1.
- Hetherington, Alan Stewart, B.COM., A.C.A., 1967; The Barn House, Conishead Grange, near Ulverston, Lancs.
- Hidayatallah, Munawar, A.C.A., 1967; 6A Seafeld Road, Karachi 4, Pakistan.
- Hopkins, Leon John, A.C.A., 1967; 17 Dartford Road, Bexley, Kent.
- Hughes, Michael Bedford, B.COM., A.C.A., 1967; 148 Knightlow Road, Harbourne, Birmingham 17.
- Hunt, Henry Jeffrey, A.C.A., 1967; 46 Knowsley Drive, Leigh, Lancs.
- Hurley, Keith William Walter, A.C.A., 1967; 31 Quarry Spring, Harlow, Essex.
- Ironmonger, John Andrew Robert, A.C.A., 1967; 81 Oakleigh Park North, London N20.
- James, Stephen Strickland, A.C.A., 1967; 'Ashley House', 32 Ashlyns Road, Berkhamstead, Herts.
- Jeans, Michael Henry Vickery, B.A., A.C.A., 1967; 19 Queens Mews, London W2.
- Johnson, Geoffrey Thomas, A.C.A., 1967; 8 Manor Grove, Skelmersdale, Lancs.
- Jones, Peter Robert, A.C.A., 1967; Manor Farm, Simpson, Bletchley, Bucks.
- Jordan, Timothy James Foreman, B.A., A.C.A., 1967; 20 Shottfield Avenue, East Sheen, London SW14.
- Kandawalla, Darius, A.C.A., 1967; Kandawalla Bungalow, Randal Road, Karachi 3, West Pakistan.
- Keen, Allan Roy, B.A., A.C.A., 1967; 2 West View Road, Keynsham, Bristol.
- Koopman, George Arthur, B.SC., A.C.A., 1967; 10-D Tapton House Road, Sheffield 10.
- Kumar, Raja Prem, B.A. (COM.), A.C.A., 1967; 12 Fordbank Road, Manchester 20.
- Lalani, Mohamedali Hussein Mitha, B.SC. (ECON.), A.C.A., 1967; 99 All Souls' Avenue, London NW10.
- Landau, Ian Victor, B.SC. (ECON.), A.C.A., 1967; 5 Milton Court, Highfield Avenue, London NW11.
- Lankester, Robert George, B.SC., A.C.A., 1967; Flat 3, Burnham Court, 1/5 Fairhazel Gardens, London NW6.
- Laurenson, James Tait, B.A., A.C.A., 1967; 'Stidulfemeade', Seal, Sevenoaks, Kent.
- Lawrence, John, B.SC. (ECON.), A.C.A., 1967; 5 Berceau Walk, Watford, Herts.
- Lawson, Roger Hardman, A.C.A., 1967; 'The Orchard', Pembury Road, Tunbridge Wells, Kent.
- Leek, James Anthony, A.C.A., 1967; 11 Pritchatts Road, Edgbaston, Birmingham 15.
- Lewis, Owen, A.C.A., 1967; 'Clwyd', Greenfield Avenue, Llangefni, Anglesey, N. Wales.
- Lomax, Roger Harry, A.C.A., 1967; 6 Hinchley Close, Hinchley Wood, Esher, Surrey.
- Lush, Robert Henry, B.A. (ECON.), A.C.A., 1967; 61 Westwood Road, Heald Green, Cheshire.
- Macdonald, Roderick Alan, A.C.A., 1967; 4 Rossetti Gardens Mansions, London SW3.
- Mackay, Ronald John, B.COM., A.C.A., 1967; 11 Wetherby Gardens, London SW5.
- McPherson, Keith Robert, A.C.A., 1967; 49 Greencourt Road, Petts Wood, Orpington, Kent.
- Malthouse, John Christopher, B.A. (ECON.), A.C.A., 1967; Flat 4, 33 Aigburth Drive, Liverpool 17.
- Marke, Richard Valentine Stuckey, B.A., A.C.A., 1967; 10 Weech Hall, Fortune Green Road, London NW6.
- Marshall, Alexander Robert Lea, A.C.A., 1967; 'Merrieweathers', Underriver, Sevenoaks, Kent.
- Mee, Robert Anthony, A.C.A., 1967; 53 Wyvern Road, Sutton Coldfield, Warwicks.
- Mensforth, (Miss) Susan, A.C.A., 1967; Lees Common, Barlow, Sheffield, S18 5SW.
- Moore, William Philip Ottiwell, A.C.A., 1967; 11 Wavel Mews, West Hampstead, London NW6.
- Moreton, Christopher John, A.C.A., 1967; 76 Plumstead Common Road, London SE18.
- Morriss, Nigel Robert, A.C.A., 1967; 62 Thicket Road, Anerley, London SE20.
- Mossman, Raymond Eric Wimberley, A.C.A., 1967; 187 Valley Road, Ipswich.
- Murray, William, B.COM., A.C.A., 1967; 31 Osbourne Avenue, Newcastle upon Tyne 2.
- Nesbitt, Brian, A.C.A., 1967; 10 Maddison Gardens, Seghill, Dudley, Northumberland.
- Nicol, John Stuart, A.C.A., 1967; 14 Adelaide Road, Walton-on-Thames, Surrey.
- Noble, Christopher Howard, B.COM., A.C.A., 1967; 25 Corbett Avenue, Droitwich, Worcs.
- North, Ian, A.C.A., 1967; 193 Wood Lane, Rothwell, Leeds.
- Nutty, Geoffrey, A.C.A., 1967; 25 East Road, Kingston upon Thames, Surrey.
- Oaten, Michael John, B.SC. (ECON.), A.C.A., 1967; 85 Beechtree Avenue, Englefield Green, Egham, Surrey.
- Parkes, Alan Brian, A.C.A., 1967; 163 Rosecroft Drive, Edwards Lane Estate, Nottingham.
- Pattinson, Michael James, A.C.A., 1967; 6 Temple Terrace, Aspatria, Carlisle.
- Pegler, Stephen Raymond, A.C.A., 1967; 49 Alstone Road, West Huntspill, near Highbridge, Somerset.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or * are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of Chartered Accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of Chartered Accountants in Great Britain and Ireland.

- Penn, Michael John, A.C.A., 1967; 'The Beeches', Chesham Road, Wigginton, Tring, Herts.
- Plews, Michael Graham Kirk, A.C.A., 1967; 124 Townhead Road, Dore, Sheffield S17, 3GB.
- Praditsmanont, Songdej, B.Sc.(ECON.), A.C.A., 1967; with Turquand, Youngs & Co, 4 Coleman Street, London EC2.
- Price, Jonathan Meredith, B.A., A.C.A., 1967; 2 Ripplevale Grove, London N1.
- Prosser, Ian Maurice Gray, B.COM., A.C.A., 1967; 62 Loynells Road, Rubery, Birmingham.
- Purnell, John Arthur Dakin, B.A.(ECON.), A.C.A., 1967; Flat 10, 37-39 Bewdley Street, Islington, London N1.
- Rajaretnam, Emanuel Kandiah, B.Sc.(ECON.), A.C.A., 1967; P.O. Box 857, Blantyre, Malawi.
- Randall, John Alexander, A.C.A., 1967; 'Far View', Cotheridge, near Worcester.
- Rink, Anthony Arnold, B.Sc.(ECON.), A.C.A., 1967; 33 Staveley Avenue, Sharples, Bolton.
- Robertson, Timothy Frederick, A.C.A., 1967; 'The Sycamores', Legh Road, Knutsford, Cheshire.
- Robinson, Terry John, A.C.A., 1967; 16 Park Road, Monton, Eccles, near Manchester.
- Ruse, Brian Edward, A.C.A., 1967; 203 Wightman Road, Hornsey, London N8.
- Sackwild, Gerald, A.C.A., 1967; 93 St Andrews Drive, Stanmore, Middlesex.
- Seaton, Michael Robin, B.A.(ECON.), A.C.A., 1967; 56 Wembley Park Drive, Wembley Park, Middlesex.
- Segarajasingam, Nagalingam, B.Sc., A.C.A., 1967; M.I.H., 4 Inverness Terrace, London W2.
- Seth, Anil, A.C.A., 1967; 53 Greencroft Gardens, London NW6.
- Sewell, Clive Thomas Sydney, A.C.A., 1967; 28 Leas Dale, Eltham, London SE9.
- Sharpe, John Richard, A.C.A., 1967; 'Cherrytop', Woodham Road, Woking, Surrey.
- Sherwood, John Seton, A.C.A., 1967; 19 Seymour Gardens, Four Oaks, Sutton Coldfield, Warwicks.
- Simpson, Anthony Heath, A.C.A., 1967; 119 St Bernards Road, Olton, Solihull, Warwicks.
- Simpson, John Grant, B.A., A.C.A., 1967; 66A Cornwall Gardens, London SW7.
- Smith, Anthony John, A.C.A., 1967; 101 Castle Road, Salisbury, Wilts.
- Smith, Robert James, B.Sc.(ECON.), A.C.A., 1967; 30 Holmwood Road, Cheam, Sutton, Surrey.
- Sorkin, Alexander Michael, B.A.(ECON.), A.C.A., 1967; 36 Florence Court, Maida Vale, London W9.
- Stephen, David Alexander, A.C.A., 1967; 15A Eaton Square, London, SW1.
- Stocken, Oliver Henry James, B.A., A.C.A., 1967; 'Spooyt Vane', Kirk Michael, Isle of Man.
- Taylor, Peter George, B.COM., A.C.A., 1967; 'Sheephouse Farm', Latteridge, Iron Acton, Bristol.
- Theophilou, Theophilos Artemi, B.Sc.(ECON.), A.C.A., 1967; 35 Demophondos Street, Famagusta, Cyprus.
- Thomas, John Russell, A.C.A., 1967; 78 Union Road, Abergavenny, Mon.
- Thompson, Peter Harold Leslie, A.C.A., 1967; 'Greystones', Preston Avenue, North Shields.
- Tomlinson, John Anthony, A.C.A., 1967; with Wright & Favell, 47 Bank Street, Sheffield 1.
- Townsend, Jonathan, A.C.A., 1967; 32 Northwick Close, Worcester.
- Uboh, Isim Ema, B.A., A.C.A., 1967; P.O. Box 462, Lagos, Nigeria.
- Vardy, Peter Christian, A.C.A., 1967; 'Woodbrow', Woodham Lane, Woking, Surrey.
- Vere-Hodge, Nicholas Myles, A.C.A., 1967; 'Silverwood', Arrowsmith Road, Canford Magna, Wimbourne, Dorset.
- Walkling, Stuart James, A.C.A., 1967; 17 East Wyld Road, Weymouth, Dorset.
- Wall, Geoffrey George, B.A., A.C.A., 1967; 26 Wychwood Avenue, Canons Park, Edgware, Middlesex.
- Wallace, James, Archibald Simpson, B.Sc.(ECON.), A.C.A., 1967; 9 Meadow Walk, Partington, Urmston, Manchester.
- Watts, Denis Stanley, A.C.A., 1967; 2 Old Shoreham Road, Southwick, Sussex.
- Watts, Michael David, A.C.A., 1967; 12 Carisbrooke Avenue, Bexley, Kent.
- Waxman, Frank Stephen, A.C.A., 1967; 31 Sunningdale Gardens, Old Kenton Lane, Kingsbury, London NW9.
- Webb, Richard Allan, A.C.A., 1967; 9 Mills Close, Vine Lane, Hillingdon, Middx.
- Weston, Michael, A.C.A., 1967; 153 Holland Park Avenue, London W11.
- Whiteman, Ian Frank, B.A., A.C.A., 1967; 157 Elms Crescent, London SW4.
- Wickens, Roger Foster, A.C.A., 1967; 'Whispers', Myrtle Grove, East Preston, near Littlehampton.
- Wike, William, B.A.(ECON.), A.C.A., 1967; Vineyard Close, Greenmount, Bury.
- Williams, Anthony Arthur, A.C.A., 1967; with Josolyne Miles & Cassleton Elliott, Corso Matteotti 10, Milan, Italy.
- Williams, John Robert, A.C.A., 1967; 17 Clovelly Road, South Ealing, London W5.
- Willison, (Miss), Janet Lesley, A.C.A., 1967; 22 Tedworth Square, London SW3.
- Wiseman, Robert John, A.C.A., 1967; 13 Wilmer Drive, Heaton, Bradford 9.
- Wolstenholme, Tom Vincent, B.A.(ECON.), A.C.A., 1967; 172 Gosforth Lane, South Oxhey, Watford, Herts.
- Woolford, Robert Percy, A.C.A., 1967; 13 Meadowside, Walton-on-Thames, Surrey.
- Wright, Alan Arthur, B.Sc.(ECON.), A.C.A., 1967; 39 Court Road, Eltham, London SE9.
- Young, Robert David, A.C.A., 1967; 8 St Regis Close, London N10.
- Atkinson, Jeffrey, A.C.A., 1960; *Walter Dawson & Son, Martins Bank Chambers, Market Place, Dewsbury.
- Barfield, Arthur Victor Harold, A.C.A., 1964; Rossi & Rossi, 60 Thorpe Road, Norwich, NOR 04T.
- Beeley, Philip Michael, A.C.A., 1965; Smith, Dove & Partners, Granville Chambers, 119 Midland Road, Wellingborough, Northants.
- Blackborn, Bryan George, A.C.A., 1959; †Deloitte, Plender, Griffiths & Co, 128 Queen Victoria Street, London EC4.
- Bridges, Eric John William, F.C.A., 1947; †Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC4.
- Brown, Arthur Ernest, A.C.A., 1967; Simpson, Wood & Co, Bank Chambers, Market Street, Huddersfield.
- Burton, Frank Milner, A.C.A., 1961; 27 Edale Close, Hazel Grove, Cheshire.
- Bury, Leslie, A.C.A., 1966; Crawshaw, Watts & Moss, 7 Cannon Street, Accrington, Lancashire.
- Chorley (The Hon.), Roger Richard Edward, A.C.A., 1958; Cooper Brothers & Co, Abacus House, Gutter Lane, London EC2.
- Connah, Michael Terence, A.C.A., 1964; *Connah, Goldsworthy & Co, 123 New London Road, Chelmsford, Essex.
- Constantinou, Damianos, A.C.A., 1963; †Moore, Stephens & Co, 82 Kolokotroni Street, Piraeus, Greece.
- Corbett, Peter Graham, A.C.A., 1957; †Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
- Davies, Richard John, A.C.A., 1964; Moore and Smalley, 1A Chapel Street, Preston, Lancs.
- Drew, Gerald Charles, A.C.A., 1961; Cooper Brothers & Co, Abacus House, Gutter Lane, London EC2.
- Ellison, David Michael, A.C.A., 1958; Beresford Lye & Co, Queens House, Folkestone.
- Exley, Kenneth, F.C.A., 1948; †Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
- Fishpool, Paul, A.C.A., 1966; 50 Lulworth Avenue, Goffs Oak, Waltham Cross, Hertfordshire.
- Forrest, Michael William, A.C.A., 1965; 12 Booth Street, Jersey, C1.
- Foyster, William Randle, A.C.A., 1964; †Williams, Stoker & Co, 9 Bedford Row, London WC1.
- Galt, Peter John McFarlane, A.C.A., 1965; Hinde, Galt & Co, 20 High Row, Darlington, Co. Durham.
- Gaston, John Hallett, A.C.A., 1957; Dixon, Wilson, Tubbs & Gillett, Gillett House, 55 Basinghall Street, London EC2.
- Gray, Stephen Marius, B.A., A.C.A., 1962; Dixon, Wilson, Tubbs & Gillett, Gillett House, 55 Basinghall Street, London EC2.
- Hardcastle, Alan John, F.C.A., 1956; †Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
- Hardy, Graham, A.C.A., 1963; Price, Bailey & Partners, Aylmer House, Link Way, The High, Harlow, Essex.
- Hobbs, William John, A.C.A., 1961; Butterworth, Jones & Co, 7 Castle Street, Bridgwater, Somerset.
- Hollerin, John, F.C.A., 1954; 7 Chollerford Avenue, Whitley Bay, Northumberland.

Fellowship

The Council acceded to applications from twenty-two associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Allsopp, Richard Malcolm, A.C.A., 1960; 37 Goose Lane, Wickersley, Rotherham.

Hoult, Edward Wilson, M.A., A.C.A., 1961;
†Price, Waterhouse & Co, 31 Mosley
Street, Newcastle upon Tyne.

Huthwaite, Charles Brian, A.C.A., 1963;
Bee, Henshaw & Co, 18 Regent Street,
Park Row, Nottingham.

Jacques, William Ernest, M.C., F.C.A.,
1950; Dixon, Wilson, Tubbs & Gillett,
Gillett House, 55 Basinghall Street,
London EC2.

Jeremy, John David Sydney, B.A., A.C.A.,
1961; Sidney H. Buckland & Son,
Moorgate House, 6 Christina Street,
Swansea.

Kirkwood, John, A.C.A., 1960; 151 North
Station Road, Colchester, Essex.

Lawrence, Timothy Gordon Roland, A.C.A.,
1958; Cooper Brothers & Co, Abacus
House, Gutter Lane, London EC2.

May, Barry Clifford, A.C.A., 1966; Croft,
May & Co, Brook House, 33 Marloes
Road, Kensington, London W8.

Mendel, Philip Baron, A.C.A., 1959; Silver,
Altman & Co, High Holborn House,
52-54 High Holborn, London WC1.

Mold, Terence Graham, A.C.A., 1967;
*Dyke, Ruscoe & Hayes, 41 Mill Street,
Ludlow, Salop.

Morton, Arthur Leonard Robert, A.C.A.,
1964; 85 Victoria Street, St Albans,
Herts.

Moston, Ronald Frederick John, A.C.A.,
1963; Vallance Lodge & Co, 746 High
Road, Tottenham, London N17.

Oakley White, Paul Edward, A.C.A., 1961;
*John Mitchener, Bennett & Co, 58 The
Avenue, Southampton.

Oldfield, Donald Walter, A.C.A., 1963;
Butterworth Jones & Co, 7 Castle Street,
Bridgwater, Somerset.

Pantzer, Warren Woolf, A.C.A., 1965;
*Hamilton & Ferrier, 4 Bridge Street,
Sydney 2000, Australia.

Parker, Dennis Hugh, F.C.A., 1940;
Dixon, Wilson, Tubbs & Gillett, Gillett
House, 55 Basinghall Street, London
EC2.

Powell, Richard Alfred, A.C.A., 1964; F. J.
Ackland & Co, 19 Orchard Street,
Bristol 1.

Piercy, William Norman, F.C.A., 1925; 20
Abbotsbury Close, Kensington, London
W14.

Pulham, Peter Alan, F.C.A., 1956; *Landau
Morley & Scott, 124-126 The Grove,
Stratford, London E15.

Rimington, Richard John, F.C.A., 1952;
Dixon, Wilson, Tubbs & Gillett, Gillett
House, 55 Basinghall Street, London
EC2.

Ritchie, John Alan, A.C.A., 1965;
†Williams, Stoker & Co, 9 Bedford Row,
London WC1.

Robinson, Brian Christopher Dennis,
A.C.A., 1961; Williams, Stoker & Co, 9
Bedford Row, London WC1.

Rosling, Edward Peter Charles, A.C.A.,
1961; *Sheen, Stickland & Co, 4-6
High Street, Alton, Hants.

Sackman, Alan, A.C.A., 1965; Alan
Sackman & Co, 1 Marlborough Avenue,
Edgware, Middlesex.

Sacks, Alan Leon Barry, A.C.A., 1965;
Gibson, Appleby & Co, 9 Southampton
Row, London WC1.

Selbey, Thomas Norman Hunter, A.C.A.,
1967; Selby, Smith & Earle, 6 Bedford
Row, London WC1.

Sharp, Peter, F.C.A., 1956; Cooper
Brothers & Co, Abacus House, Gutter
Lane, London EC2.

Silverman, Martin Barry, A.C.A., 1967;
*Backer, Winter & Co, 45-47 Mount
Street, London W1.

Slater, Alan Humphrey, B.A., A.C.A., 1962;
West Wake, Price & Co, 6 Broad Street
Place, London EC2.

Smith, Andrew Malcolm, F.C.A., 1956;
Rigsby, Johnston & Co, Box 1690,
Radio Building, Quesnel, British Colum-
bia, Canada.

Southgate, Christopher Ronald, A.C.A.,
1966; *Lacey, Radford & Co, 39
Abbeygate Street, Bury St Edmunds.

Stacey, Michael John, A.C.A., 1959;
Hubbard, Durose & Pain, P.O. Box 33,
18 Park Row, Nottingham.

Stronge, Christopher James, M.A., A.C.A.,
1960; †Deloitte, Plender, Griffiths &
Co, 128 Queen Victoria Street, London
EC4.

Stumm, Eric, F.C.A., 1956; 55 Dorrington
Court, South Norwood Hill, London
SE25.

Taylor, Eric Frank, F.C.A., 1927; Hubbard,
Durose & Pain, P.O. Box 33, 18 Park
Row, Nottingham.

Waddy, Paul Stewart, A.C.A., 1967;
Charles S. Shaw & Sons, London
Assurance House, 36 Bennetts Hill,
Birmingham 2.

West, Douglas William, A.C.A., 1964;
Foster, West & Co, 124 High Street,
Maidenhead, Berks.

Whittenbury, John Rowsell, A.C.A., 1962;
6 Cherry Drive, Forty Green, Beacons-
field, Bucks.

Wigley, John Clive, A.C.A., 1965; 68
Hilley Field Lane, Fetcham, Surrey.

Wilkins, Brian, Bertram, A.C.A., 1966;
Bowen, Dawes, Wagstaff & Co, 26-28
Sansome Walk, Worcester.

Williams, Edward Kesteven, A.C.A., 1964;
Thornton, Baker & Co, 119-121
Midland Road, Wellingborough, North-
ants.

Wilson, Henry Alfred Vallette, B.COM.,
F.C.A., 1951; *Binder, Hamlyn, Fry
& Co, 8 St Bride Street, London EC4.

Wright, James Richard Terrence, A.C.A.,
1962; Nickson & Co, Premier
Chambers, 21 London Road, Fleetwood,
Lancs.

Readmission to Membership

Subject to payment of the amounts
required by the Council three former
members of the Institute were re-
admitted to membership under bye-
law 38.

It was reported to the Council that
the following readmissions, made at
the Council meetings on August 2nd,
and October 4th, 1967, subject to
payment of the amounts required, had
become effective:

Alcock, Robert Harding, A.C.A., Blackmore,
Essex.

Anderson, Ross, Kenyon, M.A., A.C.A.,
London.

Bladon, Sydney Harold, F.S.A.A., Hereford,
Burnage, Charles Churchill Hutt, F.C.A.,
Purley, Surrey.

Dunn, Paul, A.C.A., Botany, New South
Wales, Australia.

Grey, David Wolfe, A.C.A., London.

Islam, Muhammad, A.C.A., Lahore, West
Pakistan.

Jellicoe, Michael Evelyn Marston, F.C.A.,
Botolph Claydon, Bucks.

Scammell, Philip Anthony, A.C.A., Brighton.
Shinner, George Russell, F.C.A., London.

Vickers, Ioan John David, F.C.A., Bedford.

Wilkinson, Neville Money, A.C.A., Johan-
nesburg.

Death of Members

The Council received with regret the
Secretary's report of the deaths of the
following members:

Abbott, Keith Alexander, F.C.A., South-
ampton.

Baker, Stanley John, F.C.A., London.

Bancroft, James Eckersley, F.C.A., Man-
chester.

Cowney, Christopher Ernest, F.C.A.,
Birmingham.

Cromwell, Oliver, M.B.E., F.C.A., Broad-
stairs, Kent.

Davies, Robert Glyn, F.C.A., London.

Gardiner, Hugh, F.C.A., York.

Hancock, Ernest Charles, F.C.A., Bath.

Hill, Terence Champain, T.D., F.C.A.,
Jersey, C.I.

Jameson, Thomas Isaiah Davies, F.C.A.,
Llandudno.

Kent, Leslie Patrick, F.S.A.A., Johannes-
burg.

Marsh, Herbert Kenneth, F.C.A., Luton.

Peat, Roderick Mackay, M.A., F.C.A.,
London.

Pickup, Clifford Roy, F.C.A., Bacup.

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REVALUATION OF ASSETS

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Poole, Ronald Peter, A.C.A., London.
Price, Trevor Llewellyn, F.C.A., Cardiff.
Rayner, Robert James, F.C.A., Westcliff-on-Sea.
Roberts, Albert Edward, F.C.A., London.

Thurlow, Cyril Edward, F.C.A., London.
Ward, Arthur, F.C.A., Torquay.
Wickham, Charles Edgar, F.C.A., Hull.
Wood, James Smith, M.C., F.C.A., Huddersfield.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute at hearings held on September 26th, 1967

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (a) he failed to pay the subscription payable by him under Clause 11 of the supplemental Royal Charter and Bye-law 41 in respect of the year 1967 for four months after the same became due (b) he failed to ensure that sufficient funds were available to meet the cheque dated April 28th, 1967, for the sum of £8 8s drawn in favour of the Institute in payment of the said subscription, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint had been proved under both headings and the Committee ordered that the member be admonished but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of The Institute of Chartered Accountants in England and Wales had been guilty of acts or

defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he procured the printing and circulation in an overseas territory of a business card for the purpose of soliciting business, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint had been proved and the Committee ordered that the member be admonished but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Brian Henry Anderson, a former articled clerk, had been guilty of an act or default namely that he was found hiding on the premises of a certain club on the night of April 28th, 1967, with the intent of robbing the gaming machines of that club, so as to render himself liable to be declared unfit to become a member of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint against Brian Henry Anderson, a former articled clerk, had been proved and the Committee ordered that Brian Henry Anderson of 579 Nuthall Road, Cinderhill, Nottingham, be declared unfit to become a member of the Institute.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BULLIMORE, WRIGHT & Co, Chartered Accountants, of 3 Throgmorton Avenue, London EC2, deeply regret to announce the death of Mr FREDERICK THOMAS WRIGHT, F.C.A., on November 1st, 1967. The practice will be continued by the remaining partners.

MESSRS DE LA WYCHE, BAKER & Co, Chartered Accountants, of 53 Spring Gardens, Manchester 2, announce that Mr T. A. BAKER, F.C.A., retired from their practice on September 30th, 1967, to take up an appointment as director of ISAAC ANDREWS & SONS LTD in Belfast, and of its subsidiary companies.

MESSRS W. FOWLES & Co, Chartered Accountants, of Broadstairs, announce that Mr ALAN T. EMBY, A.C.A., was admitted as a partner on November 1st, 1967.

MESSRS GLASS & EDWARDS, Chartered Accountants, announce that Mr JOHN W. GLASS, F.C.A., retired from the partnership on October 31st, 1967. The practice will continue to be carried on under the same name by the remaining partners.

MESSRS WENHAM, MAJOR & CLARKE, Chartered Accountants, of Birmingham, London and Walsall and Messrs MORRISON, PEARSON & HAWKER, Chartered Accountants, of Walsall and Birmingham, have agreed to merge their practices as from November 1st, 1967. Mr T. P. HAWKER, F.C.A.,



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becomes a partner in Messrs WENHAM, MAJOR & CLARKE and the combined practices will be continued under that name at 89 Cornwall Street, Birmingham 3, 15 Took's Court, London EC4, and 18 Lichfield Street, Walsall.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Notification of Examination Results

Subject to unforeseen circumstances, a list of candidates successful at the September 1967 Intermediate examination will be displayed at the temporary offices of the Institute, 56-66 Goswell Road, London EC1, on Tuesday, November 21st. The list will be published in *The Accountant* dated November 25th.

In addition, each candidate may expect to receive by post at the earliest on Monday, November 20th, a notice stating whether he has passed or failed, together with details including any prize awarded or, if unsuccessful, particulars of his performance in individual papers.

The Institute cannot give information of results by telephone or telegram and cannot entertain inquiries as to whether results are available.

DOUBLE TAXATION

United Kingdom - Netherlands

A Double Taxation Convention between the United Kingdom and the Netherlands relating to taxes on income and capital was signed on October 31st, at the Foreign Office. This replaces the existing convention between the two countries. Lord Chalfont signed for the United Kingdom and the Netherlands Ambassador for the Netherlands. The convention is subject to ratification and the text will be published shortly by H.M. Stationery Office.

BALANCE GROUP

The next meeting of the Balance Group will take place on Thursday, November 16th, at 6.15 p.m., at The

Lord Raglan, 61 St Martins-le-Grand, London EC1.

The topic for discussion will be 'The audiotape system and information retrieval computer programs'. Mr B. G. Blackburn, A.C.A., who has had recent practical experience of the system, will lead the meeting.

Any reader interested in this topic is cordially invited to attend. Refreshments will be available.

WOLVERHAMPTON SOCIETY OF CHARTERED ACCOUNTANTS

'Commercial aspects of development' will be the subject of a talk to be given (with the aid of films) by Mr E. W. Hardiman, divisional finance assistant of British Rail, at the next meeting of the Wolverhampton Society of Chartered Accountants to be held on November 13th, at 5.45 for 6 p.m., at the Victoria Hotel, Wolverhampton. On December 4th, at the same time and venue, an address on 'Financial advisory services by the accountant' will be given by Mr A. B. Snow, F.C.A.

Members of the Institute within the Society's area not receiving circulars relating to meetings are asked to advise the secretary, Mr M. J. Groom, A.C.A., c/o Camp, Ravenscroft & Co, 2A Tettenhall Road, Wolverhampton.

TEACHING ACCOUNTANCY IN BUSINESS STUDIES COURSES

A conference on 'Teaching accountancy in business studies courses' is to be held by the Association of Lecturers in Accounting at the Huddersfield College of Education (Technical) on November 17th and 18th. The programme will be as follows:

Friday, November 17th:

- 6.00 p.m. Assembly
- 6.30 Dinner
- 7.30 Welcome to the College followed by informal discussion on the topic 'The place of national certificates and diplomas in professional training', led by Mr R. J. W. Stubbings, H.M.I.

Saturday, November 18th:

- 9.45 a.m. Lecture - 'Syllabus content', by Mr R. J. Bull, A.A.C.C.A., P. D. Leake Research Fellow
- 10.45 Coffee
- 11.00 Syndicate Discussions:
 - (a) O.N.C./D. Courses;
 - (b) H.N.C./D. Courses;
 - (c) C.N.A.A. Courses
- 12.45 p.m. Lunch
- 2.00 'The teaching of accountancy', by Mr R. J. Bull
- 3.00 Tea
- 3.15 Plenary Discussion: 'Accounting courses for non-accountants'
- 4.15 Chairman's summary
- 4.30 Dispersal

Applications to attend should be sent without delay to the Conference Secretary, Mr S. HALL, B.A.(COM.), F.C.A., 95 Cecil Avenue, Bradford 7.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

Wednesday, November 15th. Speakers' Course: 'Audience control'. The Society's Common Room, 43 London Wall, EC2. All inquiries should be sent to Miss Ann Dent, c/o The Library.

Thursday, November 16th. 'Modern auditing', second of the three two-day courses.

- 10.00 'Cooper Brothers' auditing manual', by Mr B. G. Jenkins, B.A., A.C.A., Cooper Brothers & Co.
- 11.30 'Flow charting', by Mr H. T. Burnett, A.C.A., Assistant Technical Officer, The Institute of Chartered Accountants in England and Wales.
- 2.15 'Statistical sampling', by Mr K. A. Sherwood, A.C.A., Chalmers, Impey & Co.
- 3.45 Summary and discussion.

Friday, November 17th.

- 10.00 'The balance sheet', by Mr D. G. Richards, F.C.A., Harwood Banner & Co.
- 11.30 'Computer auditing', by Mr H. A. Butt, F.C.A., a senior manager with Price, Waterhouse & Co.
- 2.15 'The whole job; auditing for profit', by Mr C. J. C. Bailey, B.A.(ECON.), A.C.A.
- 3.45 Summary and discussion.

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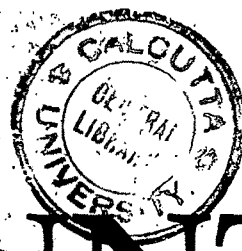
I suppose you're all wondering why
I called this meeting, I gurgled.
'Why, yes,' they gasped.
Well, I dribbled, I intend to grow pretty fast and
I want my money to do the same.
'But,' they patronised
'money just doesn't grow like that.'
A lot you know, I screamed.

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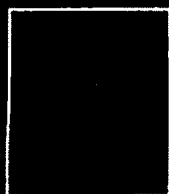
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NOVEMBER 18th, 1967

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One in a series of advertisements designed to remind members and non-members of the extensive facilities available.

ON AUGUST 4th, 1967—the same day that the Companies Act 1967 was published by the Stationery Office—the book *Guide to the Accounting Requirements of the Companies Acts 1948–1967* appeared. It was published by Gee & Co (Publishers) Limited for the General Educational Trust of The Institute of Chartered Accountants in England and Wales. This timely reference work is an indication of the publication services to members and non-members provided by

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Lawyers Urge Tax Reform

CYNICS sometimes say that lawyers have a vested interest in legal complexities. In the field of revenue law, however, the Law Society has frequently shown itself to be champion of simplicity. The Society's latest pronouncement on this topic appeared last week-end in a published memorandum which the Council of the Society has sent to the Treasury and the Board of Inland Revenue. This memorandum comes much earlier than its pre-Budget memoranda have been wont to appear, for the Council are aware that matters of general policy affecting Budget proposals 'are probably settled some months before the publication of the Finance Bill, and that if recommendations are to influence the formulation of matters of general policy they should be made well before Budget day'.

The Council's general view can be summed up in one sentence from the memorandum – 'revenue law could be rendered much more intelligible'. It then goes on to enumerate the ten main heads of revenue law, each of which has its basic Act as well as innumerable amending Acts. While the Government has expressed an interest in consolidation (two minor examples are the new Capital Allowances Bill and the Provisional Collection of Taxes Bill referred to on another page), the Law Society counsels moderation in this field – suggesting that amplification may best be achieved by the revision and consolidation of one main head of revenue law in a year. Consolidated Acts should then, say the Council, be kept up to date by direct amendment or addition to the consolidating Act. Major changes in revenue law should not be introduced in the annual Finance Bill, but in separate Bills which should be issued in advance in draft so that informed public opinion could have some influence on the final form of a Bill.

With so many taxes in existence, overlapping is inevitable. Of this, the memorandum cites the example of both estate duty and capital gains tax on a deceased's estate. In the case of an estate of such a size that the top £10,000 is at the margin between rates of estate duty, on that £10,000 it pays duty effectively at 100 per cent. By one of those cruel fictions of statute law, a man is supposed to make a (financial) capital gain at the moment of death; the tax thereon is allowed as a debt in valuing the assets liable to estate duty, so that in the case of a 100 per cent rate of estate duty, capital gains tax is completely offset by the reduction in estate duty. As the Law Society in effect asks, Why have all this waste of time working out the capital gains tax?

This matter of two taxes at the same time and on the same event – an event over which the taxpayer has no control – is not an anomaly which has grown up with the years; it is an anomaly deliberately enacted by Parliament less than three years ago. This is not a propitious sign to those who look for simplification.

There are other examples of tax anomalies in the

memorandum, all of which cry out for reform. The tax with perhaps the briefest mention is the selective employment tax – a lusty infant of one year. While ‘a great many anomalies’ in its application have been brought to its attention, the Council shortly, but none the less pertinently, observes ‘in its present form, the tax is incapable of working fairly’.

Managing Local Government

THE recent report of the Committee on the Management of Local Government, under the chairmanship of Lord REDCLIFFE-MAUD, did not receive a particularly rapturous welcome, but to the extent that most comment is likely to come from interests within the local government structure this may not be altogether surprising. Nevertheless, the committee is not likely to derive any satisfaction from the highly critical assessment of its report contained in a statement from the Council of The Institute of Municipal Treasurers and Accountants.

Whilst it welcomes the Maud Report ‘as an outstanding contribution in analysing the problem and in indicating the direction in which improvements lie’, the IMTA Council is of the opinion that the committee ‘proposes too many elements of management in a local authority’ and ‘places too much responsibility upon most of them’. The recommended re-structuring of the administrative set-up in local authorities leads the Council to have ‘serious doubts whether the proposed internal management structure would be an effective mechanism’. While, state the Council, the proposed arrangements would perpetuate the ‘powerful Committee/Principal Officer/Department link, which is the main feature of the existing internal management system’, the concentration of executive power in the hands of the proposed Management Board would mean that the latter would be in ‘continuous dialogue with committees on a wide range of specific issues’. This interchange, the Council feel, ‘would frequently be frustrating, and would sap the energy of many Boards’.

In short, the basic problem stems from the fact that the Maud Committee has sought to introduce a new structure of power within the existing framework and,

in the view of the IMTA Council, ‘this is a bad compromise which will not operate efficiently in practice’. The repercussions of this proposal would affect recruitment because, say the Council, the committee’s approach to the management of local authorities is ‘unlikely to improve the attraction of local government to people of the calibre necessary to ensure its maximum effectiveness and that, indeed, they can be expected to have the opposite effect’.

This conclusion stems from the Council’s view that the retention of the principle that the local council is the supreme decision-making body, coupled with the wide responsibilities of committees, of individual management board members with ‘special spheres of interest’, the principal officers acting as managers and advisers, and the principal officers acting in their individual capacities, would result in a serious overlapping and duplication of interests.

The IMTA Council is even less satisfied with the committee’s proposals for supervising the financial affairs of local authority. In the Council’s opinion it is essential that ‘financial administration must be, and must be seen to be, both impartial and objective’. To this end, say the Council, the financial administration and control system should continue to be independent of the main spending elements of management, and should continue to be the responsibility of a Treasurer with the right of normal communication with all levels of management at the decision-taking level. Furthermore, the Treasurer must continue to be under public obligation to maintain the integrity of a financial administration and control system.

The Council feels that the presence at Management Board level of an officer – the Treasurer – specifically responsible to the local council for financial control, would indicate the importance which the authority places on financial control at all decision-making levels. As the IMTA Council rightly observe, in the absence of the profits test, most local government decisions are subjective; they are mainly social and political decisions. The presence, therefore, of the Treasurer ‘under a public obligation to provide information objectively and impartially, is an essential requirement of good local government’.

COMPANIES ACT 1967

Unlimited Companies – IV

SECTION 64 of the Companies Act 1948 provides that an unlimited company having a share capital may, by its resolution for registration as a limited company under that Act (a) increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, subject to no part of the increased capital being capable of being called up except in the event and for the purposes of the company being wound up; or (b) provide that a specified portion of its uncalled share capital shall not be capable of being called up except in the event and for the purposes of the company being wound up. Such share capital is referred to as 'reserve share capital' in section 44 (6) of the Companies Act 1967, which applies section 64 of the 1948 Act where a company is re-registered as a limited company under section 44 of the 1967 Act.

There is no power which enables creditors to object to a company taking the above steps or either of them; but section 44 (7) of the 1967 Act contains special provisions relating to the winding-up of a company which has re-registered under the section. Under section 212 (1) (a) of the 1948 Act, a past member of a company is only liable for calls on a winding-up if he ceased to be a member within twelve months before the commencement of the winding-up, but under section 44 (7) (a) of the 1967 Act, a past member who was a member when the company re-registered will be liable to contribute to the assets of the company in respect of debts and liabilities of it contracted before that time if the winding-up commences within three years of the re-registration.

If no persons who were members at the time of re-registration remain members at the commencement of the winding-up, then the persons who were members at the time of re-registration (provided the winding-up commences within three years of re-registration) together with persons who ceased to be members before re-registration (but within the twelve months preceding the date of winding-up) will be liable to contribute to the debts and liabilities of the company contracted before the date of re-registration. This is so even though the existing members have satisfied the contributions required to be made by them under the 1948 Act (section 44 (7) (b)).

Moreover, notwithstanding section 212 (1) (d) and (e) of the 1948 Act, there is no limit on the amount

which a person who at the time of re-registration was a past or present member of the company is liable to contribute on a winding-up in the circumstances above referred to (section 44 (7) (c)). Accordingly, a person who transfers shares in a company within three years of its re-registration under section 44 of the 1967 Act as well as a person who transfers shares in an unlimited company should obtain a full indemnity from the transferee against future liability.

Schedule 12 to the 1948 Act, which sets out the fees to be paid to the Registrar of Companies, is repealed as from October 27th, 1967, and replaced by Schedule 3 to the 1967 Act. This schedule increases many of the fees payable to the registrar and, proportionally, more so in the case of smaller companies than larger ones. Moreover, under section 48 of the 1967 Act the Board of Trade may, by regulations made by statutory instrument, alter Schedule 3 so as to increase or decrease the amount of a fee payable to the Registrar, provided that no regulation may be made which increases a fee unless a draft of the instrument containing the regulations has been laid before Parliament and approved by a resolution of each House.

For the registration of a company limited by shares or the re-registration of a former unlimited company under section 44 of the 1967 Act as one limited by shares, the fee is £20 if the nominal capital does not exceed £2,000. If the nominal capital exceeds £2,000, the fee is £20 plus £1 for each £1,000 or part of £1,000 in excess of £2,000 up to £5,000. Over £5,000, the fee is £23 plus 5s for each £1,000 or part of £1,000 in excess of £5,000 up to £100,000. Over £100,000, the fee is £46 15s plus 1s for each £1,000 or part of £1,000 in excess of £100,000.

For the registration of a company not having a share capital or re-registration under section 44 of the 1967 Act of a company formerly unlimited and not having a share capital, the fee – if the number of members stated in the articles does not exceed 25 – is £20, plus £1 for each twenty-five members or fraction of twenty-five members in excess of the first twenty-five members up to one hundred members. If the number of members stated in the articles exceeds one hundred but is not stated to be unlimited, the fee is £23 plus 5s for each fifty members or fraction of fifty members after the first one hundred members. If the number of members is stated to be unlimited the fee is £38.

For the registration on formation of an unlimited company having a share capital, the fee is the same amount as would be charged for registration if the company were limited by shares or the same amount as would be charged if the company had not a share capital, whichever is the higher; but for the registration of a limited company as unlimited under section 43 of

the 1967 Act the fee is only £5 which, possibly, is something of a concession to a company which prefers to suffer unlimited liability rather than annex its accounts to the annual return.

For the registration of an increase in share capital the fee is the difference between what would be payable if the company were registered with its existing capital and the amount which would be payable if it were registered with the capital as increased. For the registration of an increase in membership of an unlimited company the fee is the difference between what would be payable if the company were registered on formation with its existing membership and what would be payable by reference to its membership as increased.

The above fees, however, are subject to the 'limitations on operation' set out in Part II of Schedule 3. In the case of an unlimited company having a share capital, if an increase of share capital is made at the same time as an increase of membership, the company will pay whichever fee is higher but not both. And on increases in membership or share capital it is to be assumed that fees on existing membership and existing share capital have been paid in accordance with Schedule 3 whether or not this is the case. In no case are total fees payable by a company by reference to its membership to exceed £38 or by reference to its share capital or share capital and membership to exceed £68.

There are several factors which may influence a company's decision whether or not to become unlimited rather than annex its accounts to the annual return. Most limited liability trading companies obtain part of their working capital from a bank, which will require the company's account to be guaranteed by the directors. The extent of the bank overdraft (if more or less permanent) in relation to total liabilities will therefore be an important yardstick in measuring the value to be placed upon the limited liability of the company. Again, if the company is to be re-registered as unlimited, the question naturally arises whether this involves any change in the tax position of the company since, as is well known, considerable tax repercussions may result from the disincorporation of the company and the setting up of a partnership.

Meanwhile, it may be pertinent to observe that in the case of a limited partnership the question may be asked whether a company can be the managing partner and the directors of the company the limited partners so that, in effect, the whole of the partners achieve limited liability without disclosing the partnership accounts to the public. At first blush this may seem an attractive proposition, but there is a difficulty. The company can only manage the partnership through its directors (assuming the powers of management are vested in the directors by the company's articles), and any management of the partnership by the directors,

since they are also the limited partners, may make the directors personally liable for the partnership debt.

It was pointed out earlier that an unlimited company possesses an important advantage over a limited company in that it may accept the surrender of a member's shares on payment or otherwise if authorized by the articles, or memorandum and articles, of association. Before the Finance Act 1965, the owners of a private company might withdraw cash from the company without any dire consequences unless capital sums were deemed to be paid to a settlor under section 408 of the Income Tax Act 1952, and the company was deemed to be 'connected with the settlement' under section 411 (4) of that Act (since amended but not in favour of the taxpayer).

Now, section 75 of the 1965 Act, which applies to unlimited companies as well as limited companies, makes it impossible for a close company, otherwise than in the ordinary course of a business carried on by it which includes the lending of money, to make any loan or advance any money to an individual who is a participator in the company, or an associate of a participator, without additional tax consequences, so that the attractions of a general power to surrender shares for cash or agricultural property or otherwise may be enhanced. It is, however, necessary to consider whether a payment for the surrender of shares in an unlimited company may constitute a 'distribution' within Schedule 11 to the 1965 Act, as amended by the Finance Act 1966.

Although the surrender of shares in an unlimited company is a convenient way of withdrawing capital without the necessity of winding up or obtaining the confirmation of the Court to a reduction of capital, it is not a method of withdrawing undistributed profits out of the company in non-taxable form. For this reason the unlimited status may be more suited to the needs of a non-trading company than a company which is likely to build up large undistributed profits. But even an unlimited trading company, if in a financial position to do so, could accept a surrender of, say, nineteen out of every twenty issued shares, and so make a substantial return to shareholders without such return constituting a 'distribution' taxable under Schedule F, provided the capital was not a purely nominal one of £100 or so.

In any case it will be necessary to have close regard to the provisions of Schedule 11 to the 1965 Act and paragraph 14 of Schedule 5 to the 1966 Act where a repayment of share capital has been made or is being considered, since a bonus issue of shares after April 5th, 1966, if preceded by a repayment of share capital made after April 6th, 1965, will be treated as a distribution up to the amount of the repayment, except where the repaid capital consists of fully paid preference shares.

Current Affairs

Doctor's Travel Allowance Taxable

A DOCTOR carrying on a general practice and also holding part-time appointments fifteen miles away at hospital where he is on call for emergency cases, must pay income tax under Schedule E on the few pounds allowed him towards his travelling expenses. This was the majority decision last week in the Court of Appeal in the case of *Pook v. Owen*. The decision upholds that of Stamp, J., who had reversed the eminently reasonable decision of the General Commissioners that the money was not taxable. The Commissioners had found that the doctor's duties began the moment the hospital telephoned him, for he at once gave instructions over the telephone. Thus in their view the travelling expenses were deductible.

The High Court held that the mileage allowance was an emolument and therefore to be included in the amount assessable under Schedule E. Moreover, although it was spent it was not spent wholly, exclusively and necessarily in the performance of the duties of the office (*Ricketts v. Colquhoun* (10 T.C. 118)). Lord Denning, according to *The Times* of November 10th, said the case was distinguishable from *Ricketts v. Colquhoun*, but the two lords justices disagreed with him and accordingly the doctor's appeal was dismissed. Leave was given to him to appeal to the House of Lords.

New Irish Finance Bill

THE Minister for Finance, Mr Charles Haughey, F.C.A., moved the second reading of the Finance (Miscellaneous Provisions) Bill 1967 in the Dail on November 8th. The primary purpose of the Bill is the recasting of the provisions of the 1965 legislation on taxation of profits from dealing in or developing land.

There was no disagreement, said the Minister, on the fundamental need for this new legislation. Tax liability under existing law operated over too large a field, imposing a very wide charge in the first instance and

then excluding from that charge various cases in which the relevant transactions could not be regarded as profit-making ventures of a trading nature. These exclusions were not wide enough. The new approach to the problem confined liability to those cases in which a business of dealing with or developing land was actually carried on. The new provisions would be fully retrospective in so far as they gave relief, but would operate only from April 1968 next, in so far as they might impose additional charges.

Certain profits not taxable under the general law, on disposal of interests in land, would be charged as trading profits under Case I of Schedule D. These profits occurred where the interest disposed of was not the full interest of the disposer, or when he did not acquire his interest with a view to turning it over at a profit. The new modifications would apply only in cases in which dealing in or developing land was so carried on as to constitute a business.

Other sections of the Bill provided that the Special Commissioners should be an appellate body only and that all their administrative functions should be transferred to the Revenue Commissioners who should not then be *ex-officio* Special Commissioners, and that the Special Commissioners should be re-titled 'Appeal Commissioners'.

The recommendations of the Commission on Income Taxation on the question of time limits for making assessments were also implemented. The Bill introduced a new time limit of ten years within which income tax and surtax assessments might be made. There are two qualifications, however. Firstly, assessments might be made at any time in cases involving fraud or neglect, and secondly, no assessments might be made for a year earlier than 1961-62 except where there was fraud or neglect.

Financing Welfare

THERE is by now a growing awareness among most politicians that the costs of the welfare state are outstripping the taxable capacity of the economy. Unless Britain can soon achieve a more rapid rate of growth, tax increases in the next Budget will become inevitable. The debate on selective or universal benefits is now well launched and few bodies can claim more credit for bringing the key issues squarely into the forefront of public discussion than the Institute of Economic Affairs.

Its latest contribution to the debate, *Taxation and Welfare* (price 7s 6d) by the Institute's editorial director, Mr Arthur Seldon, seeks to take the discussion further by demonstrating that most of the argument as to alternatives to the policy of universal benefits is taking place in a factual vacuum. As the results of the Mass-Observation survey upon which much of this report is based reveal, the public has only the sketchiest notion of what the existing welfare services cost and what the taxpayer is paying. The question asking what proportion of their incomes people felt it would be

reasonable for the Government to take in taxation is revealing, not least in so far as it shows the extent to which taxpayers have become conditioned to heavy taxation.

Not surprisingly, the survey reveals a marked preference among all social groups for selective assistance rather than universal benefits, since most respondents believe that the overall costs of the service would be cheaper. The basic problem which the Institute must now face up to, having started the public and the politicians thinking about the possibilities of a change from universalism, is that without a clearly defined alternative indicating probable costs to the consumer, any further debate upon the extent to which selective benefits are preferable to universal is at best conducted within the framework of the public's undoubted ignorance of the basic facts.

It is certainly true that a system of selective benefits would ease the burden on the Exchequer, but it would also leave the individual with more to pay, thence the question to be answered is at what level of income does the break-even point between costs and tax savings for each type of household come. It is to be hoped that the Institute can obtain the finance required for such a substantial piece of statistical research.

Capital Allowances Bill

THE ill-fated consolidating Capital Allowances Bill of a year ago has now been succeeded by a new Capital Allowances Bill which perhaps will actually reach the Statute Book. The Bill (H.M.S.O., 10s 6d) runs to over one hundred and thirty-six pages and has exactly one hundred clauses and twelve schedules. There is a useful, if complicated, table of derivations. Two-and-a-half pages of repeals include section 21 of the Finance Act 1967.

The Bill is being introduced in the House of Lords and should have an easy passage, but the question that inevitably springs to mind is whether the capital allowance provisions need to be as complicated as all that.

Provisional Collection of Taxes Bill

THE Government's expressed desire to consolidate tax laws is proceeding. Following the Capital Allowances Bill mentioned above, and which originally early this year had to be withdrawn as it was not pure consolidation, there has now come a modest Bill with six clauses aimed at consolidating the Provisional Collection of Taxes Act 1913 with two sections of the Customs and Excise Act 1952, section 9 of the Finance Act 1957 and a few provisions of the Finance Act 1967.

The general effect of these provisions is that the taxes in question – income tax, purchase tax and customs and excise duties – can be imposed temporarily by a mere resolution in the House of Commons.

Parliamentary Commissioner's First Report

THE Parliamentary Commissioner Act 1967 came into operation on April 1st and in his report on his first seven months in office as Ombudsman, Sir Edmund Compton reveals that he has conducted 125 investigations and has reported his findings to the Members of Parliament concerned. In all, 379 Members of Parliament have referred complaints to Sir Edmund and 816 complaints were received by Sir Edmund via Members – of the latter number, 405 cases were outside the Ombudsman's jurisdiction and in eighty-six cases Members were informed, after partial investigation, that the case was being discontinued.

At present Sir Edmund has 200 current cases with which he is dealing. He also notes that he has received thirty-seven inquiries of a general nature from Members of Parliament and over 500 written complaints from members of the public. Although it is not possible for him under the terms of the Act to begin investigations in the last category of cases, Sir Edmund states that he has provided correspondents with information about the proper procedure to follow.

It is noteworthy that the departments against which most complaints of maladministration have been received in these first few months have been the Ministry of Social Security (13 per cent), the Ministry of Housing and Local Government (11 per cent) and the Inland Revenue (8 per cent). Approximately one-third of the social security cases, one-sixth of the housing and local government cases and one-quarter of the Inland Revenue cases have so far been rejected as being outside the jurisdiction of the Parliamentary Commissioner.

Wider Probe into the Professions

THE Board of Trade announced this week that the Monopolies Commission's terms of reference relating to the Commission's investigation into the practices of the professional bodies had been widened to include practices – formerly outside the Commission's purview – authorized under Royal Charter or under a statute enacted before December 31st, 1955. These practices include those which are restrictive of (a) entry into a profession; (b) the fees to be charged for the rendering of professional services; (c) the rendering of such services by or on behalf of corporate bodies or by partnerships; (d) the persons to whom such services are rendered; (e) terms and conditions of rendering of such services; (f) the carrying on of other business by, or the commercial relationships of, persons rendering professional services; (g) the extent to which, if at all, persons rendering such services may advertise.

Of course, in so far as they indulged in practices not 'protected' from the inquiry by charter or statute, all the professions have from the outset been subject to the Commission's investigations. Those professions which now come fully under review include, according to the Board of Trade, chartered accountants, actuaries,

chartered secretaries, auctioneers, and certain professional engineers and mining surveyors.

We were given to understand this week by The Institute of Chartered Accountants in England and Wales that so far as they are concerned, it has never been their desire or intention in any way to shelter behind the terms of their Royal Charters, but fully to assist and co-operate with the Monopolies Commission in their inquiries.

Parliamentary Questions

THE Chancellor of the Exchequer will be urged in the Commons on November 21st to increase the amount of money available for the social services by 'reducing the tax allowances of those who are wealthy'. Mr Ben Whitaker (Labour, Hampstead), has tabled a question calling for this.

Another Labour Member, Mrs Renée Short (Wolverhampton North-east) is to ask the Chancellor what estimated savings would be made if family allowances were paid only to those families where the income tax return shows an income of up to and including £2,000 per annum.

Dr Shirley Summerskill (Labour, Halifax) will suggest that Mr Callaghan should abolish the joint assessment of a husband and wife for surtax purposes.

Mr Arnold Shaw (Labour, Ilford South) is to ask for a review of the definition of charities so far as it

affects the incidence of tax relief; and Sir Gerald Nabarro (Conservative, South Worcestershire) is to inquire of the Chancellor what diminution of revenue he anticipates will result from a fall in the drink trade following the introduction of breathalysers, and how he intends to 'stimulate the revenue to offset breathalyser depredations of revenue'.

Firm's Centenary

A DINNER to mark the centenary of the foundation of the Birmingham firm of Howard Smith Thompson & Co was held on Tuesday of last week, November 7th. The senior partner, Mr W. L. Barrows, LL.D., F.C.A., presided, and the 350 guests included the Lord Mayor of Birmingham, the Lord Plowden, K.C.B., K.B.E., Mr W. E. Parker, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales and a senior partner in Price Waterhouse & Co (with whom Howard Smith Thompson & Co are associated), Sir Thomas Robson, M.B.E., F.C.A., former senior partner in Price Waterhouse & Co, with representatives of other Birmingham firms and the kindred professions, past and present partners and members of the staff of the firm.

A toast to the City of Birmingham was proposed by Mr S. V. Lancaster, T.D., J.P., F.C.A., partner in the firm, and in his response the Lord Mayor referred to the fact that but for a whim of chance the firm's founder, Howard Samuel Smith, might well have become City Treasurer of Birmingham instead of founder of the firm, for his appointment as Treasurer of the City in 1867 was narrowly defeated by only two votes. In the event he set up in practice on November 7th of that year as 'Public Accountant and Actuary'.

A seven-day, old English bracket clock in ebony, made in 1800 by Jno. Walker of London, was presented to the firm on behalf of past and present members of the staff by Mr A. A. Simmons, the firm's trust manager. Receiving the clock (see picture with close-up inset at top) Mr Barrows paid tribute to the contribution of the staff to the firm's well-being and success throughout its history. Mr Barrows went on to propose a toast to 'The Guests'.

The response on behalf of the guests was made by Mr W. E. Parker. Congratulating the firm on achieving their centenary, he said it was firms like theirs throughout the country who were one of the great sources of strength of the Institute.



Bank Rate Changes

LAST week's half-point increase in Bank rate to 6½ per cent has been regarded by some critics as belated and, in consequence, too late to be effective. It followed just three weeks after the previous half-point increase when it was already self-evident that the state of the United Kingdom economy, the prospect of further depressing trade returns and labour difficulties, superimposed upon an increase in United States interest rates and rumours of a revaluation of the Deutschmark, would necessitate further and more decisive action. Events are now dictating policy and there are fears that a further increase is possible within another two or three weeks.

It can hardly be asserted that the prospect of a further increase is remote. Everything depends on whether the United States Treasury is prepared to go on backing sterling, even if only because of the latent threat to the United States dollar in the event of a forced devaluation of the £. Foreign co-operation is essential during the next few months, when it is clear that anything the Government is likely or able to do is not going greatly to affect the economy. An end to the dock labour dispute would certainly help to restore foreign confidence, but this would be only the beginning of a very long haul. There is now general recognition that the external trade figures for the current year will be far from in balance, much less in surplus.

The Government can only hope and wait upon events. Demands for reflation to reduce the level of unemployment and, more important, to accelerate such little growth as there still remains in the United Kingdom economy, are sheer wishful thinking in the absence of an effective incomes policy and the guarantee of union co-operation in the reform of manning practices throughout large sectors of British industry. These are the root causes of the difficulties, although in fairness to the Government it must be conceded that the run of misfortune – ranging from the original seamen's strike, through the Middle East conflict and its repercussions to the present dock labour dispute – have made life very much more arduous. It would be a grave mistake, however, to blame these events for the present difficulties – to do so would be to confuse the shadow for the substance.

N.R.D.C. Report

THE eighteenth annual report and accounts of the National Research Development Corporation for 1966–67 reflect very clearly the growth in the Corporation's activities, not least as a result of the new scope provided by the Development of Inventions Act 1965. This legislation raised the ceiling of the Corporation's borrowing powers from £10 million to £25 million and, since the Corporation during the past year has entered into new commitments requiring provision for further borrowing up to a total of £24 million, it is clear that the Corporation's borrowing

powers will soon need to be increased again. The Corporation in fact has based its long-term plans on the assumption that such funds will be forthcoming.

One of the problems which the Corporation has encountered is getting industry to recognize the nature of the risk-bearing function which the Corporation performs when it invests in industrial situations. As the report points out, it invests money in the expectation that appropriate profits will accrue if the project succeeds, but part or all of the investment will be lost if the commercial hopes for the project are not realized. During the past year, sixty-nine new development projects have been initiated, of which twenty-six represent joint ventures with industry.

The report lists a large number of the 184 development projects in which the Corporation is interested. Among major projects is the joint venture with an industrial company for the development of bulk production of standard transducers. There is another project for the development and production of thin and thick films for the micro-electronics industry and another with a company producing microfilming equipment. A new development is concerned with the production of numerically controlled machine tools, whereby a manufacturer may buy such a machine for a trial period and, subject to a small premium, may return the machine if he finds it unsatisfactory after the trial period, which may be anything from six months to two years with a return of the purchase price less a deduction for depreciation.

Given the present Government's increasing interest in the modernization of industry and its evident determination to continue with a strong interventionist policy, the future of the N.R.D.C. seems assured.

Financing Small Firms

AT a time when public attention is focused on major take-overs and when there is continuing speculation as to which quoted company will be the next to attract a bid, it is hardly surprising that the role of the smaller firm in the economy tends to be overlooked. Nevertheless, numerically such small companies are infinitely more important than the giants and, in some industries, their output constitutes a significant proportion of the net product of those industries.

Any effective discussion as to the future role these companies should play is severely limited by the lack of facts. A small start has been made by a publication from the Industrial and Commercial Finance Corporation Ltd entitled *Small Firm Survey* and written by Mr J. S. Boswell (available from I.C.F.C., price 3s). The I.C.F.C. has provided finance for some two thousand companies since 1945 and a sample of 300 companies has now been analysed to provide some information about their characteristics. Nearly all the companies in the sample were owner-managed 'exempt' private companies. The survey shows that these small firms achieved a faster rate of growth in both profits and net assets, than did United Kingdom companies as

a whole. Their overall profitability, or return on capital, was higher than for quoted United Kingdom companies. For example, during the period 1961-64, the I.C.F.C. firms averaged a return of 15.5 per cent against a national average for United Kingdom quoted companies of 13.7 per cent. The author explains the difference partly by the fact that the I.C.F.C. does not concern itself with firms in the heavy industries where returns tend to be low. Also, it should not be overlooked that the companies obtaining assistance from the I.C.F.C. are by their nature likely to be more progressive and growth-minded than other companies; after all, one of the reasons for coming to the I.C.F.C. is to get funds for expansion. Thus, Mr Boswell is quite

right to point out that the sample data do not themselves constitute conclusive evidence that there is higher efficiency, in the general sense of the term, among the smaller companies. But, on the other hand, it is evident from other data in the survey that smallness is not always a disadvantage and many such companies achieve markedly better results than their bigger brothers.

For directors and owners of small companies interested in growth, the Institute of Directors have now produced a useful guide to the City institutions which may provide finance. In the light of this published evidence it is clear that the small company has a future, given the right management.

This is My Life

by An Industrious Accountant

WHEN the voice at the other end of the telephone had identified itself as the managing director, requesting me to come to his office for a chat, I was momentarily disconcerted. Could he possibly wait five minutes or so?, I requested, for I was tied up and couldn't get away immediately. There was just the slightest hesitation on his part before he assented urbanely, but a glacial chill somehow was perceptible. The M.D., you see, has an old-fashioned regard for protocol, giving the impression that anything less than instant obedience merits at least cropped ears in the pillory.

However, he was courtesy itself when I finally joined him. 'Tell me,' he said, glancing up from his paper-littered desk, 'what exactly is "gearing"? Chap I know at the club was reviewing his share capital set-up lately and kept referring to his gearing problem.'

With the managing director one never knows. He doesn't disclose his plans or his motives when he picks a subordinate's brains. I was virtually certain that he had already discussed the theory of company financing with both our auditor and his own stockbroker, and would now use my answer as a yardstick to assess their ideas, and vice versa. It's just his style... it's probably why he's a managing director.

Anyhow, I was ready for him with a fluent exposition in layman's language. Gearing was the ratio, in our case, of the total of our short-term loan and our bank overdraft to the total of our ordinary share capital. It was a figure generally assessed as a measure of balance sheet credit-worthiness and so on, by investors or take-over tycoons, and broadly speaking the borrowing maximum shouldn't exceed half the share capital.

I instanced some interesting percentages from leading equities and the M.D. murmured, with an uncalled-for nuance of surprise, that I was very well informed. I didn't tell him that the chairman had asked me the same question an hour previously, so I'd had time to marshal my thoughts and to check up on one or two points (hence my delay in joining him).

He had been wondering, he went on, about ways and means of reducing our swollen bank overdraft. That monstrous 7 or 8 per cent rate of interest was a crippling imposition that no revenue account could carry for long in present trading conditions. How about a fresh issue of ordinary shares, preferably at a fat premium? The incoming cash flow would rejuvenate our forward forecast. By financing our projected expansion it would increase turnover and gross profits, thus paying for itself handsomely.

The obvious comment that the high-percentage dividends to be paid on the new capital would more than outweigh the bank interest saved merely triggered off a complacent smile on the M.D.'s face. Nonsense, he said. We won either way.

If, indeed, when hopefully we made the extra profits, we were provided with funds to cover the dividend; alternatively, if the profits diminished, as was regrettably just conceivable, then the dividend could be reduced or even passed altogether. Surely it should be self-evident to an accountant? This two-way laying-off of the bet was the success factor in the gearing operation?

I commenced to rough-in some comparative figures for him. It wasn't as simple as all that, I warned him. Taxation was relevant. Just look at this draft appropriation account....

But he wasn't listening. He was supremely sure of himself. Don't forget, he said, that the bank can always press us for repayment, but once the shareholders have paid up there's nothing more they can do about it.

Apparently all the financial principles I've tried to teach him in the last twenty years have gone uncomprehended.

Management Education in Europe – IV

The United Kingdom

by DOUGLAS GARBUTT, A.C.I.S., A.C.W.A., DIP.ED.

Previous articles in this series have briefly surveyed the management education scene in the principal countries of Continental Europe. It seems fitting that for comparative purposes, the view should be extended to the United Kingdom.

AT the end of the Second World War the Ministry of Education estimated that there were about 450,000 managers in Britain, with an annual intake of at least 12,000. It seems, therefore, that there must be half a million or more managers today. Several studies (*Leaders of British Industry*, by G. H. Copeman; *Management Succession*, by the Acton Society Trust; *Managers, a Study of their Careers in Industry*, by R. V. Clements) have been made of British managers and certain tentative conclusions can be drawn about their qualifications, experience and general background.

In 1961 it was estimated that one in ten British managers were graduates but there was clear evidence that this proportion was increasing. An important proportion of British managers were holders of professional qualifications; of these, the largest single group had qualifications in science or engineering.

Accountants at the Top

Those who had studied business subjects were about one-third of all managers having degrees or other professional qualifications. The main professional qualifications were in accountancy or secretarialship, and there was some evidence that accountants had been most successful in reaching the levels of top management. A high proportion of the graduates were from Oxford or Cambridge. Three-quarters of the graduates had studied science or applied science. There was also clear evidence that the younger managers were more likely to be graduates.

Although the proportion holding technical or professional qualifications was increasing, it was doing so less rapidly than the proportion of graduates. Public school boys or Oxford or Cambridge graduates were more likely to go into commerce than into industrial management. One study showed that graduates were valued for their broad social and educational qualities, rather than for their academic attainments or for their potential qualities as managers, and little value was placed by British industry on higher degrees.

There has been a strong prejudice in favour of practical experience as a qualification for management,

and this is reflected in the high proportion of managers whose fathers were businessmen or top executives when they started their careers. A by-product of the educational changes which have occurred since the war has been the decline in the proportion of managers who had only an elementary education. The most successful in reaching the top were arts graduates, generally from Oxford, Cambridge and the public schools, although accountants have also been fairly successful.

However, the same tendencies as were found on the continent are operating in the U.K. Manufacturing industry is expanding and the traditional paths of recruitment through the family or by success as an entrepreneur, have been insufficient to provide the supply of skilled managers. More graduates have also been available because, although the Civil Service and the professions still have a higher prestige than commerce, certain avenues – such as service in India – have closed since the war.

Whereas in France and Belgium, the scientist and engineer is seen to be most favourably placed and whilst in Germany two-fifths of managers are technologists and one-fifth economists, it is still true to say that in Britain, managers have generally had a less complete formal education and they are less likely to have had any education which is relevant to industry. The tradition of the gifted amateur dies hard!

Another disturbing fact which surveys have brought to light is the relative immobility of British managers. Most of them are likely to have stayed in one function or department, and to have moved only once or twice during their careers. The moves they make tend to occur during the early parts of their career. In his study, Copeman shows that three-quarters of the directors had made only one or no job changes, and managers on the commercial side generally had no experience of other types of work. Whereas works managers did have slightly broader experience, they tended to have had less access to higher positions. However, more recent studies support the inference that British managers are at last beginning to accept that there may be some benefits in mobility.

Whilst, therefore, recent growth of management education in the U.K. is impressive, it must be judged

The previous articles in this series appeared in the issues of March 25th, April 29th and August 19th, 1967.

against the background of the obvious deficiencies of Britain's managerial force.

There was little formal education for management before the war, and even in the late forties and fifties there was little development outside the technical colleges. These colleges pioneered part-time courses of study in management studies leading to the diploma sponsored by the British Institute of Management and the Ministry of Education.

The Administrative Staff College was set up early in the nineteen-fifties and a growing number of companies began to open staff colleges, although Norman Fisher estimated in the early sixties that there were only about fifty of these colleges. He also estimated that in 1960, only 400 out of more than three hundred thousand companies in the U.K. had some kind of management training. Those colleges that were established, together with the technical colleges, began in the nineteen-fifties to offer a large number of short courses designed for various types and levels of management personnel. The universities also played a limited part in making this provision by summer schools and other programmes.

Important progress was made in the nineteen-sixties, and it is not fanciful to see a connection between the drive for management education and the dramatic change from a sellers' to a buyers' market that was also occurring in the U.K.

Business schools

An important agent in developing that progress has been the Foundation for Management Education, under the chairmanship of J. W. Platt, which was founded in 1960 to raise funds from industry and to encourage the development of management education. The Foundation played a leading role in securing the establishment of the two business schools in London and Manchester in 1965, on finance of some £5 million provided jointly by the Government and by industry, and raised in record time. The Foundation has also given grants to sixteen universities and has assisted projects at the Regent Street Polytechnic.

The general picture is that there are now about fifty thousand students taking courses in management of at least one academic year, and the great majority of these (48,000) are at technical colleges on a full or part-time basis. The London and Manchester Business Schools, while still in temporary premises, are expanding their facilities so that, in 1970 or thereabouts, they will each take 200 post-graduate and 100 post-experience students at a time. It is clear, therefore, that these two schools, although their contribution may be qualitatively important, are by no means predominant in the quantitative provision of management courses.

In addition to these longer courses, a vast quantity of short-term courses are run, and in 1965-66 there were at least one thousand short full-time or part-time courses on the techniques and tools of management, attended by some twenty thousand students.

Undergraduate courses

There are now twelve universities offering various aspects of business management at undergraduate level, including such subjects as human relations, engineering management, economics and, in one case, hotel and catering management. Some degree courses may combine management with other subjects. Within this category an increasing number of technical colleges and colleges of commerce are offering courses which will lead to degrees awarded under the auspices of the Council for National Academic Awards. In some cases, these may be on a sandwich course basis.

Post-graduate and post-experience courses

The main effort in the field of longer courses is at post-graduate level in which twenty universities offer one-year or longer courses. Twenty-five of them offer post-experience courses which tend to be between two and twelve weeks in length. The London Business School offers a two-year post-graduate course leading to a Master's degree, and the Manchester School offers a one-year post-graduate diploma course. In both cases the schools are prepared to consider qualified accountants as equivalent to holders of degrees.

Considerable debate has revolved around the necessity for business experience before post-graduate courses are commenced, and the business schools do eventually hope that the majority of their students will have had a year or two's experience before commencing their post-graduate course. At institutions such as Cranfield, students commonly will have had this type of experience, and in the writer's opinion this adds considerably to the effectiveness and reality of courses.

In the technical colleges the Diploma in Management Studies, which was introduced in 1961 and modified in 1965, is based on the assumption that students will be graduates or professionally qualified men who will generally have had three to five years' business experience before coming on the course. The colleges may exempt candidates over the age of 27 from holding the necessary academic qualifications, on condition they have had at least four years' experience in a post of responsibility.

At the start of the scheme a minimum age of 23 for all candidates was stipulated and it was also stated that only a limited number of colleges would be allowed to offer diploma courses so that the scarce teaching resources could be concentrated in a few colleges at high level. Unfortunately, the number of courses authorized totalled forty-six, and critics of the scheme at an early stage suggested that too liberal use was being made of the college power to waive the entrance requirements. Nevertheless, the scheme has been highly successful and in 1965-66 there were nearly four thousand students studying for the diploma.

In 1966 the scheme was developed so that students who had obtained their diploma might then go on to take supplementary endorsement subjects. A number of

colleges are also making applications to the C.N.A.A. for the conversion of their diploma course into a post-graduate degree course. The power to award C.N.A.A. degrees will only be granted after a rigorous inspection of the college and its teaching facilities by the Council itself, and it may be that not all the diploma course colleges will obtain permission to offer degrees.

Professional studies

Along with the growth of management education, as a requirement in its own right, many professional bodies have been modifying their syllabuses or offering new certificates which incorporate some element of management. Such requirements have encouraged colleges to offer courses for these subjects and these would generally be regarded as a part of the work in management education.

Considerable controversy has centred on the inclusion of management at the professional qualifying level. Whilst many argue that students need the benefit of the broader perspectives, others contend that for the professional man a first requirement is to acquire a high level of specialized skill and to leave the broader attainments until a later stage in his career.

Short courses

Many colleges have offered a wide variety of courses in such topics as operational research, work study, business finance, critical path analysis, statistics, industrial marketing, management by objectives, and so on. In many cases these courses have had a valuable effect on teaching staffs in allowing them to develop their own particular interest and in providing colleges with direct contacts with industry. However, in some cases the same or similar courses have been offered by a variety of institutions, sometimes at very different fees and it has been difficult to judge which, if any, were superior. In consequence, some courses offered have never run. However, the fact that there is a wide demand for this type of course for the serving manager can be seen by the tremendous increase in the number of private bodies which offer management courses.

Supply of management teachers

Recognizing the difficulty of supplying suitably trained management teachers, the Foundation for Management Education has established twelve teacher fellowships at British universities which enable potential teachers to spend two years on advanced studies; they have also provided fellowships for one year at American graduate business schools. These have undoubtedly had a stimulating effect on the teaching of management in the U.K.

A less well-supported venture was one in which the writer played a part when the Foundation provided funds for the Regent Street Polytechnic to establish a ten-week full-time course for serving or prospective teachers of management studies. In the early years enrolment for these courses was disappointing,

although its value could be judged by the continuing support of those colleges which did try it out. It is encouraging to know that the course now seems to be attracting a greater degree of well-merited support.

Case studies

Another problem for British management teachers has been the shortage of business case studies and the Department of Education and Science provided finance to Cranfield, which has enabled over a hundred British case studies to be written. These cases are freely available to British teachers of management and copies of a detailed index are available in order that teachers may judge the relevance and content of cases before ordering copies for use on their courses.

It is noticeable that in recent years a number of books of cases have been published, some of high quality, and it is disappointing that no central case index, along the lines of the Harvard index, has yet been established. One of the problems in this respect, is, of course, that of copyright, since the author of a case at present enjoys no benefit from it unless he publishes it in a book and restricts its reproduction. This is one factor which is holding back the free flow of teaching materials from institution to institution and from teacher to teacher.

Contact with industry

It is not surprising, in view of the general background of the British manager and the general novelty of management education, that difficulties have been experienced in convincing many companies that universities and colleges have something worth while to offer. Doubts are expressed on the quality of the courses and in consequence many good courses are not patronized sufficiently well.

In the writer's experience a course which was sufficiently well supported by a large company to justify running it especially for that company, subsequently failed to attract even the eight or ten students from other companies that were required to run a repeat course. In other cases, it is evident that companies will support courses on the basis of price, assuming that if a course is expensive it must be good. The high cost of management salaries has also been a deterrent factor, particularly where courses run for more than a few days.

This situation is likely to be affected by the advent of the Industrial Training Act which is already quickening industry's interest in training. Since all employees of a company are liable to levy, it follows that courses for all levels of employee will also attract grants.

The Central Training Council has set up a Management Training and Development Committee which has just issued recommendations to boards concerning the training and education of managers. Some boards are already making grants for management training courses and this could include, for instance,

grants for attendance at overseas institutions in Europe or in America.

Some colleges have appointed full-time industrial liaison officers who devote themselves to making contacts with industry, to passing on consultancy and student research projects through the colleges, and in acquainting firms with the full range of courses which are available. Both in Manchester and in Birmingham, attempts have been made to set up business research centres, and the University of Aston is establishing a Small Business Centre which will conduct specially designed short courses for the owners and managers of the small firms in the surrounding area.

Overshadowing the general problem of management education is the problem of communication between industry and the teaching institutions. It is undoubtedly difficult of solution since the institutions are changing and improving day by day. A welcome, if in some respects, inadequate, guide to the management courses available in the U.K. is the *Conspectus of Management Courses*, which for some time past has been put out by the British Institute of Management.

Many firms have found it difficult to obtain the kind of advice that they want – to be sure that they become aware of the range of courses within the particular field

in which they operate and how best to obtain reliable information on courses which best meet their requirements. In recognition of this the Government have made a grant to the British Institute of Management who intend to strengthen their information unit in order to make generally available to all firms, whether British Institute of Management members or not, reliable advice on management courses.

Another body which deserves mention is the Association of Teachers of Management which has attempted to provide a framework within which management teachers in Great Britain can pool their problems and knowledge, and within which they can make a fuller contribution to the development of management education.

It is possible to guess that the turning point for management education in Great Britain was in the nineteen-sixties, but at present this can only be a guess. Developments are numerous and rapid and it is encouraging that quality is improving, but the proof of the pudding must be in the eating. Only when the graduates of the colleges and the universities begin to appear at the very top levels in British industry, shall we have full confirmation of the effectiveness of the work which is now being done.

A PARIS CONGRESS PAPER

International Harmonization of Accounting Principles

by W. L. MacDONALD, F.C.A.(Canada)

NO meaningful discussion of this subject is possible without a clear understanding and agreement as to the purpose of accounting principles or concepts. Accounting principles form the framework on which accounting information is assembled into financial reports, and their aim is to ensure that the resultant financial statements present fairly the financial position of a business enterprise at a given date and the results of its operations for a fiscal period ended at that date.

A fundamental requirement of fair presentation is that there be disclosure in unequivocal terms of the effect of any inconsistency of application of such principles from one reporting period to another. Accounting principles are not static and are subject to revision as a result of new conditions and further research.

The post-war expansion of world trade and of international investment has increased the economic interdependence of all nations and particularly of those of the free world. The most important factor in directing the flow

of private investment is the investor's degree of assurance as to the political and economic stability of the various nations, but accounting standards also play a vital role in the encouragement of private investment. Any erosion of the investor's confidence in the accounting standards of a particular nation must inevitably discourage investment in enterprises domiciled in that nation and thereby ultimately retard the growth of its economy.

Accounting information is essential in controlling the granting of international credit by both Governmental agencies and private businesses. It is obvious that the lender's assessment of the reliability of such information will have a significant influence on the availability of credit.

The real problem

Some concern has been expressed that a common body of accounting terminology should be developed. While difficulties are likely to continue to arise because of the translation of words from one language to another, international agreement on technical accounting terminology is not the major international accounting problem. The real problem

is the elimination of the wide divergence in accounting concepts prevailing in the various nations.

In the field of management accounting, modern techniques are widely accepted and national boundaries do not limit the use of such techniques. Unfortunately the same degree of acceptability does not exist in the field of financial accounting and it is in this area that the international accounting problems arise.

At the Eighth International Congress of Accountants in New York (1962), Mr Arthur K. Watson identified the problem when he stated,

'Publicly available financial information, which should be the *lingua franca* of commerce, doesn't really travel very well. In too many countries it conveys little within the country and practically nothing at all beyond its borders.'

Mr Gerhard G. Mueller expressed the problem in somewhat the same words in the January 1963 issue of *The Accounting Review* when he said,

'While many national accounting systems serve well for local conditions they cease to have the same utility when they become part of the larger system that must serve world-wide business operations.'

The expansion of international business has largely come about as a result of the growth of international organizations such as General Motors Corporation of the United States, Unilever of the United Kingdom and the Netherlands, and Bata of Canada, rather than as a result of public investment in the shares of foreign business enterprises. Professor Howe Martin has written an interesting book, *International Business Principles and Problems*, published by the Free Press of Glencoe, that provides an insight into the direction that the expansion of world business has taken and the part that it has played in the economic development of the free world.

In most cases, differences in the accounting concepts of various nations should not create major problems in the internal reporting of international enterprises since foreign subsidiaries will usually be compelled to adopt the accounting policies established by the parent company. Wide divergences in accounting concepts, however, will create difficulties for international corporations in appraising prospective acquisitions and in consolidating the financial statements of newly-acquired foreign subsidiaries. The accounting problems arising from any merging of international organizations will be unusually intricate.

Where an enterprise lists its securities on stock exchanges of foreign countries, it will face particularly difficult problems in attempting to comply with the accounting requirements of more than one jurisdiction. Also, it will be necessary to provide the foreign shareholders with a basis for comparing the financial results of the enterprise with those of corporations incorporated in their own countries.

In a number of nations, including Canada, Governments have attempted to influence local subsidiaries of foreign corporations to permit their nationals to invest in the shares of the subsidiaries. For a number of reasons discussed in Professor Martin's book, this attitude is likely to continue and the introduction of a minority interest will create reporting problems to the minority shareholders where there are significant differences between the accounting concepts prevailing in the countries in which the parent and the subsidiary are located.

It must not be overlooked that a great many accounting problems have been resolved on essentially the same basis in a number of countries; however, major problems still

remain. Considerable variations continue in the extent to which income tax costs are matched with the income giving rise to the tax. In some countries it is uncommon to provide depreciation on certain classes of fixed assets and in others the entire cost of capital additions is charged to operations in the year of addition.

In several countries it is held to be desirable to equalize or 'smooth' earnings between fiscal periods through the setting aside or release of undisclosed reserves, and in certain countries the creation of arbitrary reserves is required or encouraged by statute. In a great many countries the income tax laws have a marked influence on the accounting treatment, particularly where the failure to follow the provision of such statutes in the financial statements will result in an increase in the amount of income tax.

Effects of inflation

Both within and without the accounting profession, considerable attention has been given to the problems of recognizing the effects of the changing purchasing power of the monetary unit in the financial statements. This concept has been accepted in the Netherlands but to date has been opposed by the accounting profession in North America and in many other parts of the world. It is interesting to speculate whether the concept would be more acceptable in Canada and the United States if those countries had experienced the degree of inflation that has occurred, for example, in Brazil.

Partially because of the influence of the Securities and Exchange Commission and the extent of the public ownership of shares of business enterprises in the United States, the accounting profession of that country leads the world in the number and the sophistication of publications dealing with accounting principles. For example, the accounting for business combinations has been the subject of a great deal of study in the United States but to date has attracted very little interest in other parts of the world.

Perhaps the most serious divergence in accounting concepts relates to the valuation of inventories. Wide variations exist in the degree to which fixed and variable overhead costs are included in inventories and in some countries it is acceptable to exclude all overhead from the inventory valuation. In the United States, where the method is acceptable in some circumstances in computing income taxes, the LIFO method of inventory valuation is used more frequently than elsewhere in the world. Some countries, such as Sweden, provide statutory authority for reducing inventory valuations below cost by arbitrary percentages.

In recent years in the United States there is a move towards the codification of acceptable accounting concepts and the reduction in the number of alternative treatments permissible in a given set of circumstances. Those countries such as Canada, which are hosts to high levels of capital investment by United States enterprises, appear to be following this trend but with somewhat lesser rigidity. No such tendency is apparent, however, in the United Kingdom where the accounting profession is thoroughly acquainted with theoretical accounting knowledge.

Development inhibited in some countries

In certain Continental European countries where a considerable degree of accounting uniformity has been imposed by statute, the development of an influential and

well-informed accounting profession has been inhibited and accounting standards have not advanced as rapidly as in other parts of the world. In some areas of the free world no significant accounting profession exists and little attention has been given to even the most basic accounting concepts.

In continental Europe, share investments by the public have played a much lesser role in providing the capital for business enterprises than in either of the United States or the United Kingdom. In Europe, enterprises tend to be owned by individual families or combines, and bankers are relied upon to provide semi-permanent capital. Thus financial statements are often primarily designed to reassure the bankers rather than to inform the shareholders who ordinarily have close contact with the enterprise. Under these circumstances more emphasis is placed on the balance sheet than on the operating statement and the accounting treatment is ultra-conservative by Canadian standards. The public accountant in such countries is more concerned about the protection of the creditors than the fair presentation of the financial statements.

Lack of incentive in emerging nations

The wide variations in economic development, the degree to which accounting standards are imposed or influenced by statutes, and the influence and competence of the national accounting professions must inevitably result in accounting concepts advancing at different rates in the different nations of the world. In the emerging nations, where there is little or no industry, there is little incentive for producing a strong accounting profession and little attention is given to the solution of important but more abstract accounting problems. The development of accounting principles in the United States has provided world leadership but this has come about only as a result of the particular economic climate that has prevailed in that country.

It seems certain that the harmonization of accounting principles on a world-wide basis will be gradual and it is unlikely that there will be any immediate wide acceptance of the accounting concepts existing in any one nation at the present time. The extent of the difficulty can be appreciated when one considers the many alternative treatments that are acceptable in even highly-developed countries.

The Paris Congress is the ninth world-wide gathering of accountants and in addition many similar regional meetings have been held. Some criticism has been expressed that meetings of this nature merely serve to outline the nature of the problem and accomplish little in providing solutions. Even if one were to agree with this criticism, it must be admitted that reaching a common understanding of the problem constitutes a major step forward.

No success in reaching a solution is likely to be attained until the various accounting bodies of the world obtain a thorough understanding of the accounting concepts existing in other nations and the reasons why these concepts came to be developed. In this respect international congresses fill an indispensable role.

The recent publication of *Professional Accounting in 25 Countries*, by the Committee on International Relations of the American Institute of Certified Public Accountants represents an immense contribution to this field of knowledge, and all accounting bodies are indebted to that committee.

From time to time the world leaders of the accounting

profession have proposed that the problem can be most readily solved by the establishment of a permanent international body of accounting authority. The objectives of such a body would be to improve the exchange of accounting information and to achieve international collaboration in the development of accounting principles. The creation of a permanent international secretariat could fill a useful role in acting as a clearing house for accounting information. It is difficult, however, to visualize how such an international body could be effective in conducting or even originating research projects.

Language problems

When one recalls that approximately one hundred and fifty accounting organizations were invited to attend the Eighth International Congress held in New York in 1962, it is evident that the mere selection of representatives to an international body would represent a major obstacle. There would also be language problems to overcome and if, as is almost certainly to be the case, the representatives were selected from countries with widely varying accounting standards, the deliberations of the international organization would be likely to be frustrating and unproductive.

Even if one were to agree that the international organization could act effectively and produce meaningful results, the more advanced countries are not likely to relax their standards for the sake of harmony and the less developed nations will not readily accept the more sophisticated concepts developed by the accounting profession in the more advanced countries. Even the most influential international authority would be unable to impose its conclusions on any given nation. The approach to harmony will be most deliberate in those countries where statutes have a marked influence on accounting concepts and where the accounting profession is unable to exert a strong influence on the drafting of the statutes.

The conclusion is therefore inevitable that accounting standards are most likely to improve as a result of the development of the individual national accounting profession. Research and self-examination by the various national bodies can only lead to the gradual elimination of those accounting concepts that do not provide a basis for the fair presentation of financial statements.

One method of encouraging wider research would be to concentrate the deliberations of future international congresses on those areas where more important differences exist. The various national accounting bodies would be asked to present statements on specific matters, such as the acceptable methods of inventory valuation. The research necessary for the preparation of these statements should produce beneficial results at a national level and as a minimum the discussion of the statements at the international gatherings would increase the mutual understanding of each others' difficulties.

In referring to the differences in accounting principles, auditing standards and reporting practices among the more influential nations of the world in an article appearing in the January 1965 *Journal of Accounting*, Mr James J. Mahon stated, 'Yet it should be recognized while there are differences in local "dialects" there is basically a common accounting language . . . basically assets are still assets, liabilities are still liabilities, and income still income no matter what the language or peculiarities of presentation.'

Reviews

Betterment Levy

by K. BUCKLEY EDWARDS.

Gee & Co (Publishers) Ltd, London. 17s 6d.

Although the idea needs a good deal of getting used to, betterment levy is here to stay. Moreover, it has already begun to be chargeable and various time limits are constantly running out. It therefore behoves all of us to find out something about this new impost, which the Minister insists is not a tax. There is the difficulty, however (though not exceptional these days), that the Land Commission Act 1967 – even ignoring the many regulations already made under it – covers some 189 pages with extraordinarily abstruse language. Larger tomes have already been published about it, but seem largely to be paraphrases of the Act itself. What then is the busy man to do who wants to find out quickly what the levy is all about and how it works?

One very good answer is to acquire a copy of this handy paperback which, in 120 pages, gives a succinct account of the principal provisions, with appropriately illuminating examples. The author is Mr K. Buckley Edwards, a barrister-at-law who (as his articles in this journal have already shown) is plainly at home threading his way through the jargon of modern Parliamentary draftsmen and extracting the kernel of complex statutory provisions.

Mr Edwards has not made the levy provisions simple, for nobody could do that and be accurate at the same time. But given the limitations of his subject, he has made it as simple as anyone is likely to.

Official assertions that the levy is not a tax will satisfy only the very naïve and those who do not like the truth. One aspect with which Mr Edwards deals, namely the provisions for assessment, appeal, and collection, is so like the corresponding income tax provisions that it is perfectly plain that those provisions have been borrowed wholesale. There are other aspects which will also be familiar to the practising accountant, but here we would utter a note of warning: the levy is based on English (and Scottish) land law, and an accountant who seeks to advise on it without legal assistance is treading dangerous ground.

An Introduction to a Mathematical Treatment of Economics

by G. C. ARCHIBALD and R. G. LIPSEY.

Weidenfeld & Nicolson Ltd, London. 50s net.

Modern quantitative methods of analysis have in recent years been applied increasingly to management problems and economics. Much of modern writing in the professional economic and management journals is beyond the average reader's comprehension – even if he has a sound knowledge

of the basic subject – simply because he is unfamiliar with mathematics.

Several books have been published in recent years designed to assist economists to acquire the requisite minimum of mathematics. The latest addition by two senior members of the Economics Department at the University of Essex will doubtless attract many readers who are familiar with Professor Lipsey's earlier textbook. They are not likely to find the going easy; the two authors have covered a substantial segment of mathematics as used in modern economic theory.

The serious minded student who conscientiously works his way through nearly four hundred pages of basic mathematics will know quite a lot by the time he has finished. For this reviewer, however, the authors' claim that their text is designed for the student 'who gave up mathematics at "O" level, probably disliked it and has probably also forgotten much of it' is too sweeping. For the brighter student – although it can be argued that no student who is not bright should read modern economics and econometrics – this will be a good book. Ideally, the reader should have at least done the course for additional mathematics at 'O' level, if not advanced level, before he settles to this book. Only then will he derive full benefit from the authors' considerable work.

Accounting Systems – Design and Installation

Third edition by J. BROOKS HECKERT, D.COM., C.P.A., and HARRY D. KERRIGAN, PH.D.

The Ronald Press Company, New York. \$12.

Mr Heckert, a past-president of the National Association of Accountants, has collaborated with Mr Kerrigan, a systems consultant in California in producing what is in many ways a unique book. In its six hundred and fifty or so pages there is a remarkable collection of flow-charts relating to almost every facet of business recording.

Emphasizing the basic purpose of accounting as the provision of management information, the book proceeds to deal with the planning of ledgers and departmental methods, and what is termed 'responsibility reporting' for manufacturing and distribution cost control. This involves some consideration of budgeting on a responsibility basis – which is not always given its proper weight in such books. There is an interesting chapter on insurance controls, and tax procedures, though they differ from country to country, involve some logic for each.

The section dealing with computers is hardly a study in depth, though it is difficult to see how it could be otherwise in a book already so full of matter; however, the chapter on computer language is fascinating and that on programming particularly helpful. There are appendices covering the chart of accounts for two types of business; these would be better if extended to several more (though with a little thought the reader can do this himself) and there is a good index.

The publishers claim that the book is equally sound for establishing a new system or improving an existing one. Certainly any group accountant pondering on the deficiencies of his own organization will find food for thought – and positive action – here.

Practitioners will be more selective in their choice of chapters to read, but they should not ignore this book. At the same time a book on systems might have included

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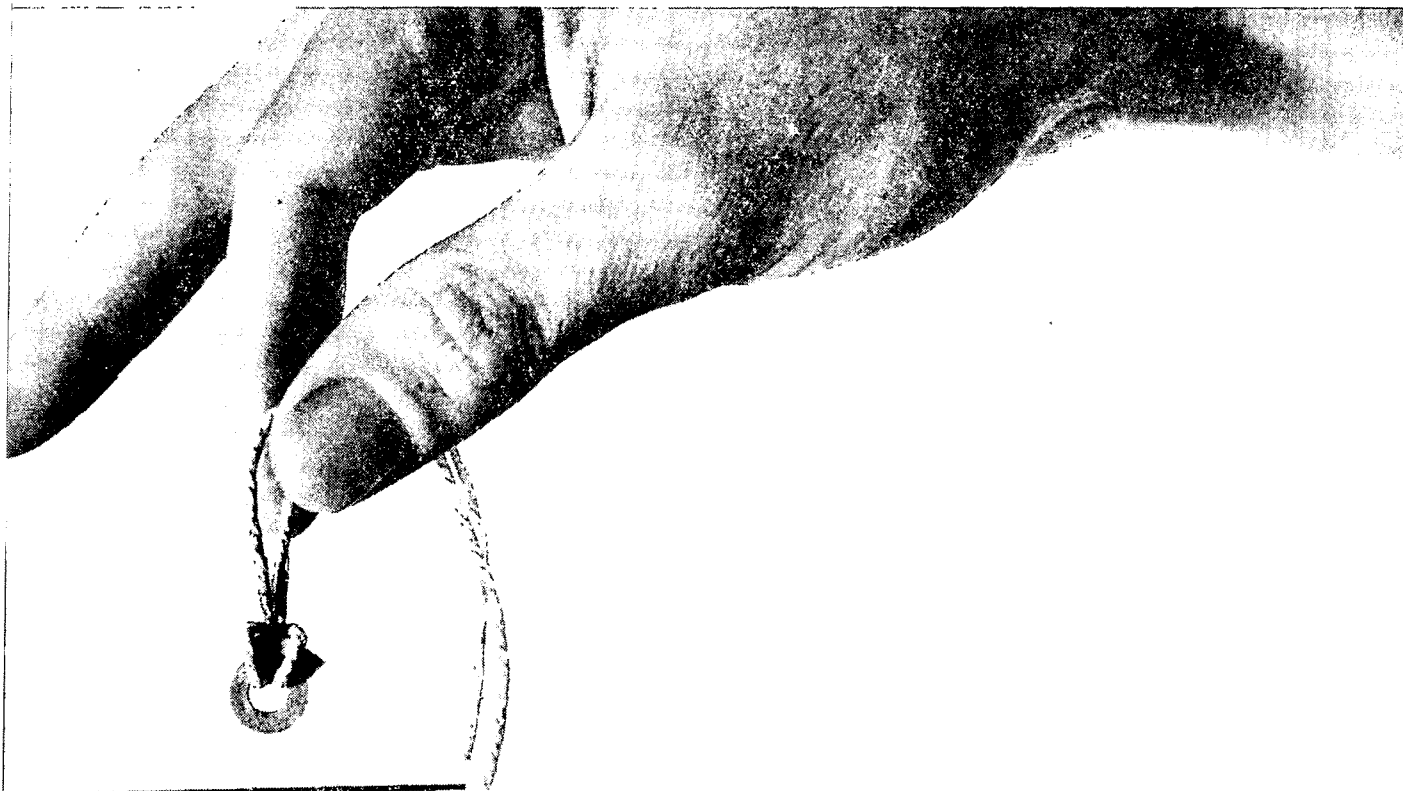
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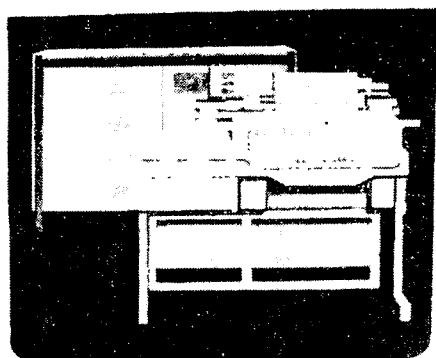
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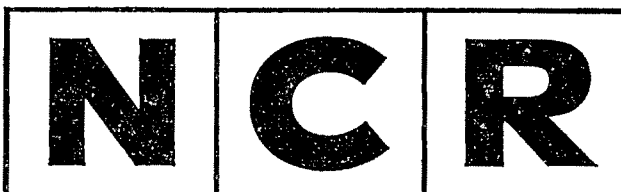
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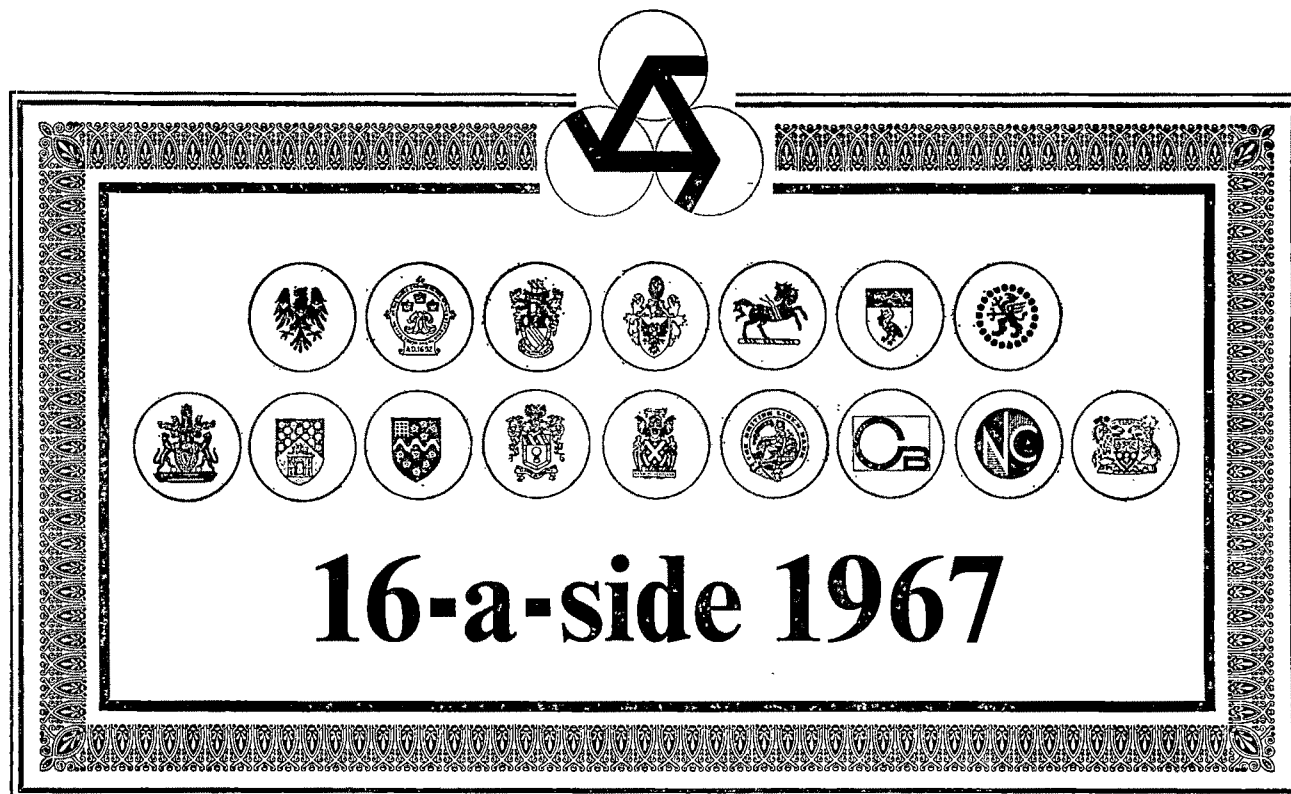
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a chapter on the use of system design to tie in the internal controls with the external audit and so extend the readership of a very good book to the profession as a whole.

Business Budgets and Accounts

Third edition by HAROLD C. EDEY.

Hutchinson & Co (Publishers) Ltd, London. 10s 6d (paperback).

In the introduction to his book, Professor Edey emphasizes the three economic aims of business as: (a) the income problem, (b) the liquidity problem, and (c) the asset structure problem, and it is in this context that he examines the accounting function. For him, accounts in the traditional sense exist more as a means of testing and improving the methods of budgeting and forecasting. This is as it should be. He also refers to the conventions which determine the basis of balance sheet values. In this sense, of course, we tend to find that the form of audit opinion in the U.S.A. is more explicit than the U.K. form.

That this edition has been produced as a paperback is evidence enough of its success. It is admittedly a book written to express principles rather than to enter too much into detail. In some cases, as in the section dealing with standard cost systems, the newcomer might be forgiven for asking for more. He may ask how an author can insist that 'the hours of particular kinds of labour required . . . can be formulated like the prices and wage rates' when, in practice, work study can be resented bitterly by employees and interfirm comparisons are not always readily available. Probably this book is not really intended for such a reader except in conjunction with more specialist literature on such subjects.

Where it will prove its worth is undoubtedly with those who, unfamiliar with their opposite numbers in business or the financial departments, seek a bridge of understanding. It is written in non-technical language which is very commendable.

Butterworth's Company Precedents

Second edition.

Butterworth & Co (Publishers) Ltd, London. 270s.

These two volumes constitute a reprint of Volumes 5 and 6 of the *Encyclopedia of Forms and Precedents* (fourth edition) and by themselves comprise 1,825 pages of text and precedents. There is no table of contents, and the tables of statutes and cases appear at the beginning of the second volume, at the end of which there is an extremely useful eighty-two page index. This also indicates whether the page numbers given contain notes or precedents.

The law reflected is that in force at November 1st, 1966, so the Companies Act 1967 is not covered, though the changes made by that Act make very little difference as far as precedents are concerned. The volumes appeared before the passing of the Finance Act 1967 and therefore the remarks on stamp duties need to be qualified in the light of that Act. In particular, the provisions about loan capital duty and the amendments to the exemption for intra-group transfers will need to be kept in mind.

Needless to say, whenever a book of this kind is published it is bound to be caught up by some changes. But these two volumes can still be relied upon to give yeoman service for years to come. The subject-matter has been treated with great thoroughness, as may be expected from

the distinguished team of editors and contributors responsible for this work.

A minor omission noted is section 30 of the Charities Act 1960, subsection (1) of which authorizes the Attorney-General to petition for the winding-up of a charitable company. Subsection (2) provides, *inter alia*, that where a charitable company has power to alter its memorandum of association, no exercise of the power which would make the company cease to be a charity is to be valid so as to affect the application of property previously acquired, otherwise than for full consideration.

The Conduct of Meetings (Crew)

Twentieth edition by T. P. E. CURRY, Q.C., M.A., and J. RICHARD SYKES, B.A.

Jordan & Sons Ltd, London. 27s 6d.

The Law and Practice of Meetings

Fifth edition by FRANK SHACKLETON, F.C.I.S.

Sweet & Maxwell Ltd, London. 57s 6d.

The first of these books is based on the law as at March 31st, 1966. The second incorporates and indicates minor amendments necessitated by the new Companies Act of this year. Otherwise, both cover approximately the same ground dealing not only with company meetings but also public assemblies of various kinds and meetings of local authorities. The cheaper publication is clearly intended primarily for students and contains specimen questions from examination papers of two of the leading secretarial bodies. Shackleton is more a work of reference for the practitioner and company secretary. Both books of their kind are excellent in that they deal clearly and comprehensively with their subject.

Green's Death Duties

Sixth edition by E. J. MANN, LL.B.(LOND.), assisted by J. E. REDMAN, LL.B.(LOND.).

Butterworth & Co (Publishers) Ltd, London. 170s.

This new edition of *Green* brings the work up to date to December 1st, 1966. Mr Redman has replaced Mr Mann's former joint editor, Mr D. J. Lawday. Both are officials of the Estate Duty Office, and although the work

RECENT PUBLICATIONS

MONEY AND BANKING, by Reay Tolfree, A.C.I.S., A.I.B., F.R.ECON.S. vii+63 pp. 8½×5½. 7s 6d. Allman & Son Ltd, London.

INTRODUCTION TO MANAGERIAL ECONOMICS, by Christopher I. Savage and John R. Small. 229 pp. 8×5. Card cover 12s 6d. Bound 30s. Hutchinson & Co (Publishers) Ltd, London.

THE COMPANIES ACT 1967, by T. M. Wedderburn, T.D., M.A., W.S., C.A., F.T.I.I. vii+148 pp. 8½×5½. Card cover 27s 6d. Sweet & Maxwell Ltd, London.

MANAGEMENT INFORMATION, by Thomas H. Williams and Charles H. Griffin. xv+710 pp. 9×6. \$8.50. Richard D. Irwin, Inc., Homewood, Illinois.

A MANAGER'S GUIDE TO COMPUTER PROCESSING, by Roger L. Sisson and Richard G. Canning. xiv+124 pp. 8½×5½. 56s. John Wiley & Sons, Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

is not, of course, an official publication, no doubt it presents in general terms the views of the Department. The new edition is nearly one hundred pages longer than the previous one and incorporates a very useful appendix setting out the rates of duty at various times since 1894.

An essential part of any serious textbook on estate duty is a full reproduction of the statutes in force; it would be quite impracticable to take the legislation from statutes published in the ordinary form. *Green* has always been notable for the clarity with which this task has been achieved and now there has been a thorough revision of the statutes

as printed in the book, and obsolete legislation jettisoned. Three new double tax relief conventions are reproduced: those with France, Sweden and Italy. The new edition worthily upholds the traditions of this famous textbook.

In our review in the October 7th issue of the eighth edition of *Benham's Economics*, by F. W. Paish, M.C., M.A.(CANTAB.), the price of the hardback edition only (27s 6d) was shown. The book is also available in paperback at 17s 6d from the publishers, Sir Isaac Pitman & Sons Ltd, London.

Pocket Computer

Contributed

IN his booklet *Quicker Calculations for Accountancy Students*, the late H. A. R. J. Wilson advocated the use of the slide rule by accountants. Accuracy to the first three digits of the answer makes the instrument appropriate for rough calculations – especially as a double check on already worked-out calculations and also for percentages.

Mostly associated with engineers, the slide rule is convenient for use out in the mud and rain of site conditions. Speed of operation and portability are the mark of the instrument and no special mathematical knowledge is needed. Mr Wilson particularly recommended a specialist rule intended for accountants – the B.R.L. Academy Model 308.

A slide rule is a ruler with a movable section in the middle by which a logarithmic scale may be aligned against another, usually identical, and the answer immediately read off. Multiple calculations require place keeping by a hair-line set in an indicator window which also slides, and is called the cursor; the other two parts are the slide and the stock.

John Napier, a Scot, started the story in 1614 when he thought up logarithms. Three years later an Oxford professor, Henry Briggs, developed these to the base ten, and in 1620 they were put on to a ruler by another professor from London, Edmund Gunter. The very first slide rule was the result of two of these 'Gunter's Scales' being combined together in 1630 by another Londoner, the Rev. William Oughtred.

The cursor was developed by John Robertson, of the Royal Academy in 1775, although some authorities have ascribed its actual invention to Sir Isaac Newton.

The basic scale of a slide rule runs from one to ten but does not insert a decimal point. The distance between these primary figures decreases progressively from the left side to the right, so that 30 per cent of the scale is between one and two and only 5 per cent

between nine and ten. Accordingly, any figure may be found on the scale except zero (which would be impossible for much the same reason that an infinite halving process could never produce zero). Eleven is the first secondary division between one and two.

The different scales on a slide rule are known by letters of the alphabet – A, B, C, D, K, L, DF, CF, CI, and so on. The basic scales are C and D which are described above and are identical, one being on the slide and the other on the stock. The vast bulk of all slide-rule work concerns just these two scales. But slide movements can be cut down and speed and accuracy increased in multiple calculations by utilizing the folded and the inverted scales. The folded scales (CF and DF) are the basic scale cut in half and re-joined with one (or ten) in the middle, and the inverted (CI) is the basic scale backwards.

Other auxiliary scales deal with percentage increase and decrease (which should be useful in shops for price mark-up), when decimal currency comes in, compound interest, trigonometrical calculations, square and cube roots, vector analysis, and days from one date to another. Specialist rules are made for accountants, electricians, air navigators, and even P.A.Y.E. tax tables.

Most slide rules are ten inches long but those intended especially for the pocket may be of five inches, on which almost the same accuracy may be obtained. Circular instruments are also made but are not generally popular, although a version has been successfully incorporated into an expensive watch.

Points to watch for when choosing a slide rule are: ease of slide movement, precision and clarity of markings, thin hair-line, and choice of scales additional to the basic ones. The cost can be as little as 6s or as much as £4. A reasonable price to pay is £2 for a ten-inch instrument.

An instruction leaflet provided with every slide rule is intended to state all one needs to know in about ten minutes. However, anyone considering obtaining a rule would be well advised to get a booklet from the library and attain real facility by doing the exercises in it. After all, the instrument in reasonable care and use should last for ever and so should the skill acquired in using it.

Finance and Commerce

Bryant setback

PRE-TAX profits down from £713,598 to £380,324 and dividend down from 10½ per cent to 9 per cent was the unimpressive performance by the Bryant Holdings building and estate development group in the financial year to the end of last May. But the immediate point to be made, before considering the accounts from which this week's reprint

is taken, is that the profits and dividend were both better than was expected at the time of the board's interim statement last April.

Then, announcing an interim dividend of 2 per cent, the board forecast a total payment of only 7 per cent and projected full-year turnover at £25 million and pre-tax profits 'in the region of £300,000'. Half-year profits were back from £405,000 to £160,000, despite a £2.6 million improvement in the six months' turnover at £13 million. In the event, profits were well above the interim forecast and turnover reached close on £27 million, at which point the inclusion of the figure for 'value of work done' at the head of the profit and loss account should be noted with approval.

In the interim report selective employment tax was inevitably mentioned as one factor – the full-year cost being over £150,000 – but a particular depression point was the further loss incurred on industrialized housing activities through difficulties in arranging optimum factory production. Readiness of sites became out of phase with factory output.

Complete reorganization

The Bryant group of companies is one of the biggest of its kind in the Midlands covering general building, civil

THE BRYANT GROUP OF COMPANIES

£1,000's

Financial Review

	1962	1963	1964	1965	1966	1967
SHAREHOLDERS' CAPITAL						
Preference	250	250	250	250	250	250
Ordinary	500	500	750	1,500	1,500	1,505
Profit retained and other reserves	234	352	861	558	1,011	939
Total	984	1,102	1,861	2,308	2,761	2,694
LOAN CAPITAL	545	453	453	450	696	686
BANK OVERDRAFT	308	271	955	1,453	1,544	1,222
TURNOVER	7,700	7,800	10,800	15,000	22,910	26,980
PROFIT						
Before Taxation	281	365	510	694	714	380
Percentage to Turnover	3.6%	4.7%	4.7%	4.6%	3.1%	1.4%
Percentage to Shareholders' Capital	28.6%	33.2%	27.4%	30.0%	25.8%	14.1%
TAXATION	155	196	224	135	128	156
ORDINARY DIVIDENDS						
Amount (gross)	75	90	120	157	157	135
Rate (a)	5%	6%	8%	10½%	10½%	9%
Times covered (d)	2.5(b)	2.9(b)	3.2(b)	2.8(c)	2.9(c)	1.5(c)
CASH FLOW						
Depreciation	111	99	134	244	467	536
Profit retained	69	103	201	454	468	70
Total	180	202	335	698	935	606
EMPLOYEES	2,331	2,454	2,580	4,097	5,220	5,500
SHAREHOLDERS	1,547	1,486	1,465	1,737	1,933	1,994

(a) Adjusted for bonus issues

(b) Based on Income Tax and Profits Tax

(c) Based on Corporation Tax at 40%

(d) In calculating "times covered" the saving in taxation due to investment allowances has been ignored.

£100 invested in the Company's 5/- ordinary shares five years ago was worth £246 on 29th September, 1967

THE BRYANT GROUP OF COMPANIES

Consolidated
Profit and Loss Account
YEAR ENDED 31st MAY

	1967 £	1966 £
VALUE OF WORK DONE		
including rents received and other income	26,980,000	22,910,000
PROFIT BEFORE TAXATION	380,324	713,598
after charging		
Depreciation of fixed assets	536,500	466,887
Remuneration of directors (note 1)	43,636	41,163
Loan interest (gross)	51,713	48,702
Bank interest	104,369	109,526
and after crediting		
Trade investment income (gross)	—	995
Rents (gross)	118,549	72,823
Deduct		
Taxation provided on this profit	204,000	228,463
Corporation tax (note 2)	(48,000)	—
Corporation tax equalisation account (note 2)	—	(110,000)
Investment allowance relief	156,000	128,463
PROFIT AFTER TAXATION	224,324	585,135
Deduct		
Dividends (gross)	18,750	18,750
7½% Preference shares – paid	30,095	135,000
Ordinary shares: Interim – paid	105,332	22,571
Final – proposed	154,177	176,321
Income tax deducted and retained	—	59,555
PROFIT RETAINED (note 3)	154,177	116,766
	£70,147	£468,369

THE BRYANT GROUP OF COMPANIES

Consolidated
Balance Sheet
31st MAY

	1967 £	1966 £
CAPITAL EMPLOYED		
Preference capital (note 6)	250,000	250,000
Ordinary capital and reserves		
Ordinary capital (note 4)	1,504,750	1,500,000
Capital reserves (note 5)	129,939	125,014
Unappropriated profits (note 3)	809,094	886,209
	2,443,783	2,511,223
	2,693,783	2,761,223
	686,000	696,000
Loans (note 6)		
Deferred liabilities	204,000	114,200
Corporation tax (note 2)	69,000	—
Corporation tax equalisation account (note 2)	—	114,200
	273,000	114,200
	£3,652,783	£3,571,423
REPRESENTED BY		
Stocks and work in progress (note 7)		
Land for development	1,869,991	2,341,461
Deduct		
Bank loan (secured)	434,000	630,000
	1,435,991	1,711,461
Ground rents	488,274	363,450
Debtors	448,740	360,320
Insurance policies at cost	21,134	43,460
Cash in hand	29,666	27,928
	7,387,592	6,818,957
Deduct		
CURRENT LIABILITIES		
Creditors and accrued charges	5,348,138	5,068,772
Bank overdraft	788,355	914,441
Taxation	159,223	211,512
Proposed ordinary dividend (gross)	105,332	22,571
	6,401,048	6,217,299
	986,544	601,658
NET CURRENT ASSETS		
TRADE INVESTMENT		
at market value	7,415	7,909
FIXED ASSETS (note 8)		
Land and buildings	543,172	514,101
Investment properties	692,275	674,406
Plant and motor vehicles	1,423,377	1,773,349
	2,658,824	2,961,856
	£3,652,783	£3,571,423

A. C. Bryant } Directors
M. T. Barwick }THE
ACCOUNTANT

November 18th, 1967

Balance Sheet
31st MAY

	1967 £	1966 £
CAPITAL EMPLOYED		
Preference capital (note 4)	1,504,750	1,500,000
Ordinary capital and reserves	129,939	125,014
Ordinary capital (note 4)	809,094	886,209
Capital reserves (note 5)	2,443,783	2,511,223
Unappropriated profits (note 3)	2,693,783	2,761,223
	500,000	500,000
Loans (note 6)		
Deferred liabilities		
Corporation tax (note 2)	4,800	8,200
Corporation tax equalisation account (note 2)	69,000	—
	73,800	8,200
	<u>£3,267,583</u>	<u>£3,269,423</u>
REPRESENTED BY		
INTEREST IN GROUP COMPANIES		
Shares	1,195,556	1,185,556
Amounts due from subsidiaries	2,522,828	2,656,573
Dividends receivable (gross)	135,046	702,280
	3,853,430	4,544,409
Amounts due to subsidiaries	89,110	673,000
	3,764,320	3,871,409
TRADE INVESTMENT		
at market value	7,415	7,909
	<u>3,771,735</u>	<u>3,879,318</u>
Deduct		
CURRENT LIABILITIES		
Creditors and accrued charges	58,834	50,845
Bank overdraft	330,076	517,579
Taxation	9,910	18,900
Proposed ordinary dividend (gross)	105,332	22,571
	504,152	609,895
	<u>£3,267,583</u>	<u>£3,269,423</u>

A. C. Bryant } Directors
M. T. Barwick }

NOTES forming part of the accounts

1. Remuneration of Directors	1967	1966
Fees	900	900
Other emoluments	35,236	37,763
Pension to former director	2,500	2,500
Compensation to former director	5,000	—
	<u>£43,636</u>	<u>£41,163</u>

2. Taxation

(a) Corporation tax has been provided at 40% (1966 – 40%) and that part due for payment on 1st January 1969 is included in capital employed. Corporation tax due for payment before that date is included in current liabilities.

(b) A Corporation tax equalisation account has been opened in order to make provision for corporation tax deferred by capital allowances. The amount set aside represents corporation tax calculated at 40% on the excess of the net book value of plant and motor vehicles over their written down values for tax purposes. £117,000 has been deducted from unappropriated profits at 31st May 1966 in order to give effect to the situation existing at that date (note 3).

(c) The under-provision for taxation in respect of previous years results mainly from the decision to claim investment grants rather than investment allowances in respect of expenditure incurred after 17th January 1966 but ordered prior to that date.

(d) Bryant Holdings Limited is not a close company within the meaning of the 1965 Finance Act.

3. Unappropriated Profits
At 31st May 1966

Corporation tax equalisation at 31st May 1966 (note 2)	(117,000)	(117,000)
Taxation adjustments in respect of previous years (note 2)	3,989	(30,262)
Profit retained for the year	35,896	70,147
	<u>£809,094</u>	<u>£809,094</u>

Issued and
Fully
Paid

4. Share Capital		
7½% Cumulative Preference shares of £1 each	£250,000	£250,000
Ordinary shares of 5/- each	3,000,000	1,500,000
At 31st May 1966	—	4,750
Issued under option scheme (note 5)	—	—
	<u>£3,000,000</u>	<u>£1,504,750</u>

255,000 Ordinary shares of 5/- are under option for issue to directors and executives at prices varying between 10/1 and 12/4½ at various dates prior to 3rd January 1972.

engineering, local authority and private housing, and attendant activities. Some of the contracts mentioned by the chairman indicate the size of the group. In the general building sphere he mentions a new Solihull shopping centre, a maternity block at Good Hope Hospital, Sutton Coldfield, commercial developments in Wolverhampton and Birmingham, and a new sorting office for the G.P.O. On the civil engineering side, rebuilding of New Street Station, Birmingham, major road contracts in the West Midlands and a freightliner depot at Dudley for British Rail are mentioned.

But it was in the local authority housing sphere that losses were suffered. The company has now 'carried out a complete reorganization of management and production methods in the field of low price industrialized housing'. This, plus rationalization of components, has enabled the setting of a lower optimum production level and the achievement of reduced costs. Bryant Homes, the private sector house building company, had 'an extremely good year', but the Land Commission Act has 'considerably diminished the amount of land on the market'.

Another disappointing part of the group was Foundex Ltd, a site investigation and piling subsidiary. Management has been completely reorganized with an immediate improvement in results but, with the market extremely competitive, Foundex will take time to produce worth-while profits.

New director

The group has its own plant-hire company - Savoy Plant Ltd - and during the course of the year under review it became apparent that results were going to be well below target even though most of the equipment is employed on the group's own sites. The hire fleet is being rationalized and already there is a 'marked sign of improvement'. Further investment in plant is intended this year.

On current year prospects, Mr A. C. Bryant, the chairman, says that budgets indicate a small reduction of turnover in contracting activities, with houses for sale continuing on an even basis. While admitting that, with current economic uncertainties, it is extremely difficult to forecast results, Mr Bryant anticipates that 'profits will rise to a more satisfactory level'.

Last May Mr B. W. Sutherland, F.C.A., was appointed a director of the company. Mr Bryant tells shareholders that the board has had the benefit of Mr Sutherland's experience and advice over several years as a partner of the group's auditors, Messrs Foster & Stephens, from which firm Mr Sutherland has recently resigned.

A feature of the accounts is the creation of a corporation tax equalization account to even out the effect of the large variation of plant purchases in the past two years. Note 2 to the accounts under the heading 'Taxation' explains the position.

Narrow margin

Companies operating extensively in the construction and building industries are liable to hit bad years from time to time. Where major running contracts are concerned there is a narrow margin of error and the cost of making even the smallest error in the timing of production of industrialized building components and their use on site (and this was basically Bryant's trouble) can prove costly.

Bryant's profits for 1966-67 were almost back to the 1963

Notes forming part of the accounts (continued)									
		Bryant Holdings Limited		Bryant Group of Companies		8. Fixed Assets			
		4,925		4,925		Cost or Valuation		Net	
		125,014		125,014		31st May 1966		Additions in year 1967	
		£129,939		£129,939		312,639		347,623	
						212,857		216,064	
								20,515	
								195,549	
								511,175	
								3,900	
								1,556,894	
								1,581,309	
								2,658,824	
								3,900	
								1,556,894	
								1,581,309	
								2,658,824	
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level of £375,000 pre-tax despite an increase of almost £19.2 million in turnover. But it is in the group's favour that the necessary corrective action has been taken and extensive reorganization put into operation.

It will be seen that the net current assets position was

improved and the chairman reports that the bank overdraft has been further reduced this year. On the subject of work in progress, Mr Bryant reminds shareholders of the group's standing practice of only bringing in profit on houses sold when the transaction is financially complete.

CITY NOTES

ANOTHER rise in Bank rate and fresh international moves to stabilize the positions of the £ and the United States \$ as reserve currencies have combined to make the equity sections of the stock-market pause and think. If devaluation is out then one of the support factors in the market has been withdrawn.

Fear of devaluation has, for long, been one of the important pressure points in the rise in equity prices. Just for how long sterling can continue to be propped up by loans to repay loans originally raised to repay loans is an unanswerable question, and the fact of the need to raise new loans and to arrange new credit facilities could itself lead, in time, to new pressure.

But there may now be a greater tendency to look at the present pitch of equities in profit-taking terms, particularly since the results of any upturn in industrial output in profit terms is likely to be offset by the steep rises in costs which have developed in recent months.

There is concern – in view of currently poor trade figures and poor balance of payments prospects – that the economic upturn is taking place at the consumer end of the economy where, in balance of payments terms, expansion can least be afforded.

NOW that the Associated Electrical Industries-General Electric take-over battle has been lost and won, the City is inevitably awaiting the next outbreak of major take-over warfare. That two companies of the size of A.E.I. and G.E.C. should have spent so much time, energy and money on take-over warfare is a deplorable state of affairs but one that inevitably results from attempted rationalization through take-overs rather than agreed mergers. The role of the Industrial Reorganization Corporation is an extremely difficult one but there is room to doubt whether

I.R.C. as some kind of industrial big-fight promoter is the role intended. The fight may be interesting to watch but it is not necessarily a particularly edifying spectacle.

EVIDENCE continues to accumulate that the building societies, as a whole, are finding the attraction of money easier than its lending. The increase in advances made seems to be lagging behind the increase in the availability of funds. The Halifax Building Society, however, seems to be keeping the balance reasonably well. In the February-October nine months, Halifax's investment net inflow was £140.1 million and mortgage repayments totalled £131.6 million, against which total advances were £207 million with offers of advances made but not taken up at the end of October standing at £73 million. Even so, liquid funds represented as much as 19.2 per cent of total assets of £1,236.8 million at the end of last month.

NEW issue hysteria has broken out again with the most mundane of new share offers attracting vast over-subscription and shares opening at fantastic premiums on offered prices. There is, as a result, the usual criticism of the issuing houses and issuing stockbrokers for pitching share offer prices too low. But offer prices can only be pitched on an accepted commercial and investment basis; it is not an issuing house's function to anticipate new issue hysteria in advance. New issue prices have to be judged on the past and potential performance of the companies concerned and on their status, with regard paid to prices of similar ruling shares. Prices cannot be judged on anticipation that every stockbroker's clerk and every investor and share punter will 'have a go' and thereby turn public share offers into some kind of Premium Bond draw.

RATES AND PRICES

Closing prices, Tuesday, November 14th, 1967

Tax Reserve Certificates: Companies 3½% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate					
Nov. 23, 1964	..	7%	Mar. 16, 1967..	..	6%
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%
Jan. 26, 1967 ..	..	6½%	Nov. 9, 1967 ..	..	6½%

Treasury Bills							
Sept. 8	..	£5 5s	9.40d%	Oct. 13	..	£5 9s	6.39d%
Sept. 15	..	£5 5s	9.26d%	Oct. 20	..	£5 14s	6.92d%
Sept. 22	..	£5 7s	4.65d%	Oct. 27	..	£5 14s	6.36d%
Sept. 29	..	£5 9s	5.98d%	Nov. 3	..	£5 17s	1.93d%
Oct. 6	..	£5 9s	6.65d%	Nov. 10	..	£6 7s	3.10d%

Money Rates					
Day to day	..	4 ⁷ / ₈ -6 ⁵ / ₁₆ %	<i>Bank Bills</i>		
7 days	..	4 ⁷ / ₈ -6 ¹ / ₂ %	2 months	..	6 ¹ / ₂ -6 ³ / ₁₆ %
<i>Fine Trade Bills</i>			3 months	..	6 ³ / ₁₆ -6 ¹ / ₂ %
3 months	..	7 ¹ / ₂ -8%	4 months	..	6 ³ / ₁₆ -6 ¹ / ₂ %
4 months	..	7 ¹ / ₂ -8 ¹ / ₂ %	6 months	..	6 ³ / ₁₆ -6 ¹ / ₂ %
6 months	..	7 ³ / ₈ -8 ¹ / ₂ %			

Foreign Exchanges					
New York	..	2.78½	Frankfurt	..	11.10½
Montreal ..	..	2.98½	Milan	..	1730½
Amsterdam	..	10.01	Oslo	..	19.90½
Brussels	..	138.13	Paris	..	13.63½
Copenhagen	..	19.30½	Zürich	..	12.03

Gilt-edged					
Consols 4%	..	56 ¹¹ / ₁₆	Funding 6% 1993 ..		87 ¹ / ₂
Consols 2 ¹ / ₂ %	..	35 ⁵ / ₁₆	Savings 3% 60-70..		89 ⁵ / ₁₆
Conversion 3 ¹ / ₂ %	..	49 ¹³ / ₁₆	Savings 3% 65-75..		75 ¹ / ₂
Conversion 5% 1971		93 ¹ / ₂	Treasury 6 ¹ / ₂ % 1976		98 ¹ / ₂
Conversion 5 ¹ / ₂ % 1974		89 ⁷ / ₈	Treasury 3 ¹ / ₂ % 77-80		73 ¹ / ₂
Conversion 6% 1972		96 ¹ / ₂	Treasury 3 ¹ / ₂ % 79-81		71
Funding 3 ¹ / ₂ % 99-04		55 ⁷ / ₈	Treasury 5% 86-89		77 ¹ / ₂
Funding 4% 60-90		95 ¹ / ₂	Treasury 5 ¹ / ₂ % 08-12		79 ¹ / ₂
Funding 5 ¹ / ₂ % 78-80		83 ¹ / ₂ xd	Treasury 2 ¹ / ₂ % ..		35 ⁵ / ₁₆
Funding 5 ¹ / ₂ % 82-84		86 ¹ / ₂	Victory 4% ..		96 ¹ / ₂
Funding 5 ¹ / ₂ % 87-91		84 ⁵ / ₈	War Loan 3 ¹ / ₂ % ..		49

Correspondence

Move to Amend Section 28

SIR, - It is becoming apparent to those who advise on tax matters that section 28 of the Finance Act 1960 is being used by the Inland Revenue in circumstances that go a good deal wider than anything envisaged when the section was enacted. Indeed, it is not going too far to say that there is hardly any transaction in securities which is not open to attack under the section, so wide and so uncertain is its wording.

There must be many cases where settlements favourable to the Revenue have had to be reached under threat of having section 28 invoked. Cases that have gone to Court have mainly been decided against the taxpayer, and there is a dearth of precedent indicating what limits (if any) exist to the Inland Revenue's power to apply the section.

This is a very unsatisfactory state of affairs which this Society would like to try to remedy.

It is believed that it would be possible, if a sufficiently cogent case can be made out, to interest a group of Members of Parliament with a view to proposing amendments to section 28 so as to remove the uncertainties and to clarify and re-express Parliament's original intentions.

Would any practitioner with a case or cases which have been settled out of Court be prepared to provide brief details of the circumstances and to send them to this Society at the address given below? It is envisaged that the facts in such cases would be made available in a brief to the Members of Parliament, but I can give an unqualified assurance that nothing will be passed on which could possibly identify either the parties concerned in any case or their advisers.

Section 28, as at present interpreted, gives the Inland Revenue almost unlimited powers to assess the taxpayer. I hope that taxpayers will feel it right to help us to try to bring this power within reasonable and ascertainable limits.

Yours faithfully,

136/139 Temple Chambers,
Temple Avenue,
London EC4.

WILLIAM CLARK,
Chairman,
INCOME TAX PAYERS' SOCIETY.

Treatment of Losses

SIR, - I am sorry that your anonymous correspondent, 'F.C.A.' (November 4th issue), should have chosen to take up a remark I made in my letter published on October 14th 'out of context'. Your correspondent agrees that there were substantial deficits on the nationalized industries, that there has been some deterioration since the last published figures which he quotes, and that there will probably be further deficits on the newly nationalized steel industry. I note that gas and electricity charges have recently increased by an

average of over 15 per cent throughout the country (in spite of your correspondent's assertion that these were among the industries making a profit) and that about £1,000 million will be written off the accumulated deficit on transport if the present White Paper proposals are accepted.

However, my original letter was not written to point out that nationalized industries usually lost money, but to deal with the suggestion of a previous correspondent that losses should be considered a sign of inefficiency and penalized financially. In the U.S.A., the telephone industry is under private enterprise and its charges rigidly controlled by Federal bodies. The electricity industry is partly in the private sector and partly in the public sector and charges cannot be increased *ad hoc*. I wonder whether fuel and power charges could be increased by 15 per cent plus if there were some similar competition in this country. Losses can be made and may have to be tolerated where there is competition, but a monopoly - and particularly a nationalized monopoly - can presumably increase its charges to avoid losses. The consumer pays in the end.

Yours faithfully,

Manchester 2.

J. ROSS.

Economics of Devaluation

SIR, - I believe that there are further arguments against the devaluation of sterling other than those mentioned in Mr Broster's excellent article in your issue of November 4th.

In the first place, there is the question of the elasticity of demand of the United Kingdom's exports in her overseas markets. Quite clearly, the value of overseas earnings must rise over and beyond the extent of devaluation to achieve any advantage. At present, there is no evidence to suggest that this real gain would accrue, bearing in mind the protectionist structure of many trading blocs, and the special access we already enjoy in others.

Furthermore, it is very easy blissfully to evaluate the additional overseas sales that would be made, but this necessarily assumes the availability of the requisite capacity to meet the demand. Without spare capacity, pressure would be brought on manufacturers and the process of inflation would start anew.

Yours faithfully,

London N21.

T. R. LANE, A.C.A.

SIR, - While agreeing with Mr E. J. Broster's general conclusion that Government overseas expenditure should be cut, I would dispute some of the background information which he includes in his article 'The economics of devaluation' (*The Accountant*, November 4th).

His statement that 'The United Kingdom departed from

the old international gold standard just before the outbreak of war in 1939' is quite false. The actual date of departing from the gold standard was March 20th, 1919, when the £ was unpegged in New York and was allowed to float. Associated with this freeing of the £ was the ban on gold exports imposed by an Order in Council dated April 1st, 1919.

The whole point of the return to the gold standard in April/May 1925, was that the exchange rate of the £ once again became fixed and gold exports were again permitted. This removal of the ban on gold exports (April 28th, 1925) was not included in the Gold Standard Act 1925 with the result that remarkably few people seem to realize that it was a necessary part of the return to the gold standard. Another little known fact is that the present legal inconvertibility of bank notes into gold coin stems from section 1 (1) of the Gold Standard Act 1925. Section 1 (1) of the Gold Standard Act 1925 far from being a move towards, was in fact a move away from, the pre-1914 gold standard.

The second occasion when this country left the gold standard was in September 1931 when section 1 (2) of the Gold Standard Act 1925 was suspended. This subsection had bound the Bank of England to sell bullion upon demand at the price of £3 17s 10½ per ounce.

Between September 1931 and September 1939, the exchange rate was allowed to fluctuate subject to some

check exercised by the Exchange Equalization Account. There was no ban on the export of gold nor any exchange control.

In September 1939 there was a 'devaluation' of sterling from about \$4.68 to \$4.04 and a little later to \$4.03. This fixed exchange rate maintained until September 1949 was a requisite of the gold standard which had been in abeyance since September 1931.

The Currency and Bank Notes Act 1939, section 4 (2), repealed section 4 of The Bank Charter Act 1844 and allowed the fiduciary issue to expand without limit. This subsection has itself now been repealed by the Currency and Bank Notes Act 1954, section 4 (2). Section 2 of this Act prescribes the conditions under which the fiduciary issue is allowed to change.

The essential ingredients of the old international gold standard were fixed exchange rates, convertibility of notes into gold coin, no ban on the export of gold.

At present we have fixed exchange rates. Convertibility of notes into gold coin was abolished in May 1925 and convertibility into bullion was abolished in September 1931. The export of gold is subject to The Exchange Control Act 1947. In practice, the size of the fiduciary issue has only slight relevance to the gold standard.

Yours faithfully,

P. L. GRIFFITHS.

London W1.

The Institute of Chartered Accountants in England and Wales

Technical Advisory Committee

The 152nd meeting of the Technical Advisory Committee of the Institute was held in the Council Chamber at City House, 56-66 Goswell Road, London EC1, on Wednesday, November 8th. There were present:

Mr B. G. Rose (in the chair); Messrs G. F. Appleton, R. B. Arrowsmith, G. L. Aspell, T.D., B. D. Barton, B. E. Basden, C. I. Bostock, M. T. R. Brookman, R. P. Brown, B. H. Buckley, D. C. Burling, M. A. Charlton, L. H. Clark, D. A. Clarke, N. J. Edwards, W. F. Edwards, N. Cassleton Elliott, A. C. Essex, R. Firth, Miss M. Fox, Messrs C. R. P. Goodwin, D. R. Gray, K. J. Hilton, A. P. Hughes, W. T. Hunter, M.B.E., H. B. Huntington-Whiteley, E. D. London, R. Lovely, D. Napper, E. R. Nicholson, R. D. Pearce, J. Perfect, D. W. Pursglove, H. G. Sergeant, M. Sheppard, F. A. Sherring, N. Smith, R. H. Taylor, A. G. Thomas, G. Thompson, T. I. F. Tod, G. H. Vieler, G. S. Warburg and J. A. P. Whinney with Mr G. A. Slator, Secretary to the Committee. Mr W. S. Hayes attended by invitation.

Address by the President

The President of the Institute, Mr W. E. Parker, C.B.E., F.C.A., attended the opening of the meeting. In reply to a speech of welcome by the Chairman, the President said:

'This is an occasion which every holder of my office welcomes sincerely. It gives an opportunity for him in his representative capacity to acknowledge officially and publicly the debt which every member of our Institute owes to those of their colleagues who give of their time, their brains and their professional experience to the service of this committee.

'In a professional body of the size of ours there must always be a real danger of insufficient contact, and in consequence insufficient understanding, between those who are, so to speak, at headquarters and the generality of the membership. It is especially important to guard against this danger when it comes to the issue of statements for the guidance of members in technical

matters - the more so if these statements are not just to provide a convenient résumé of principles or practices which already have a substantial measure of acceptance but are to go beyond that by breaking new ground. (And make no mistake about it; the profession does need, and welcomes, guidance not only in finding better solutions to problems which are old but also in penetrating a multiplicity of problems which are new.)

'We can therefore applaud the wisdom of our predecessors in that, when more than twenty-five years ago the Council decided that it ought to give positive help and leadership to members in such matters, an essential feature of the machinery for doing so was seen to be the establishment of a broadly-based national committee, representative so far as possible of all interests, all spheres of activity and all geographical groupings of our members and provided with access to, and by, local opinion through corresponding

regional committees in each of the districts. Results speak for themselves and one has only to review the working of that organization over this past generation to see conclusive evidence of the soundness of that structure.

'It would, however, have been surprising if a constitution framed more than a generation ago had been found to need no substantial amendment or adaptation in the light of experience and under the impact of the moving tide – one might well describe it as the flood-tide – of events and developments affecting our professional work. Minor changes there have been, of course, including changes of name, but it was not until June of this year that we tackled together the one real structural defect which had been emerging more and more clearly over the past ten or twelve years. This was, in essence, an overlapping and consequent duplication of effort between this committee and the Council's Technical Committee, tending to cause delay, avoidable expenditure of time and effort, and from time to time even a sense of frustration in both places. From my own experiences first as a member of this committee and later as chairman of the Council's Parliamentary and Law Committee (in the days

when it embraced the functions of the present Technical Committee) I can speak to this from both sides of the fence.

'The important changes introduced in June to deal with this have been described by some as a take-over by this committee and by some as a take-over by the Council's Technical Committee. Perhaps the very fact of these conflicting observations is proof that neither is true and that the changes, which I believe were unanimously approved by all concerned, were a genuine fusion and redefinition of functions for the mutual benefit of both committees.

'It is too soon yet to judge just how helpful these changes will prove to be, but for my own part I share with conviction the view that they will be great. I have, moreover, a very particular personal reason for hoping that events will bear this out – it happens that the decision to implement these changes was the first major decision the Council was called upon to take in my own year of office as President.

'Declaring that personal interest, I would like to conclude this brief address by expressing on behalf of the Council our gratitude to the committee for the great service which it has given

to the profession and our good wishes to you in the discharge of your immensely important advisory function under the new arrangements which now prevail.'

Membership

The Committee expressed its appreciation of the services of Mr L. H. Clark who would be retiring from the Committee following his appointment to the Council.

It was reported that Mr J. A. P. Whinney had been appointed to the Technical Committee of the Council.

The Chairman extended a warm welcome to the following new members of the Committee: Messrs B. D. Barton, C. I. Bostock, R. Firth, Miss M. Fox, Messrs D. H. Gray, R. Lovely, N. Smith, G. H. Vieler.

Matters considered

Consideration was given to reports and memoranda on Statements on Auditing – Attendance at Stock-taking and on Materiality.

Future meetings

Meetings of the Committee were arranged for Thursday, January 11th, 1968, and Thursday, March 7th, 1968.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

The Accountant in Management; by R. I. Tricker. 1967. (Batsford, 84s.)
Butterworths Tax Handbook . . . 1967–68; edited by D. Roberts. 1967. (Butterworths, 45s.)
The Companies Act 1967; by S. W. Magnus and M. Estrin, F.C.A. 1967. (Butterworths, 85s.)
The Companies Act 1967: an introduction; by J. A. Franks. 1967. (Oyez, 27s 6d.)
Company Law Amendment 1967: a practical guide and handbook; by A. T. Purse. (1967.) (Chartered Institute of Secretaries, 12s 6d.)
Company Mergers and Acquisitions (proceedings of a conference); edited by R. V. Arnfield. Glasgow. 1967. (University of Strathclyde, 42s.)
Control Techniques for Production Management; edited by R. H. Offord. 1967. (Business Publications, 42s.)
Cost Accounting principles and practice; by J. J. W. Neuner and S. Frumer: seventh edition. Homewood, Illinois. 1967. (R. D. Irwin, 67s 6d.)

Encyclopedia of Betterment Levy and Land Commission law and practice; edited by D. Heap. (Sweet & Maxwell, 157s 6d.) [Loose-leaf service, from 1967.]
The Euro-Dollar System: practice and theory of international interest rates; by P. Einzig: third edition. 1967. (Macmillan, 36s.)
A Guide to Computer Input Preparation; by D. Shirley. 1967. (Business Publications, 21s.)
A Guide to Taxation; by O. Stanley. 1967. (Methuen, 30s.)
How to Cut Office Costs; by H. H. Longman. 1967. (Anbar, 50s.)
How to Pay Less Income Tax; by H. Toch: third edition. 1966. (Museum Press, 25s.)
Management and Machiavelli; by A. Jay. 1967. (Hodder & Stoughton, 25s.)
Management by Objectives: a system of managerial leadership; by G. S. Odiorne. New York. 1965. (Pitman, 35s.)
Management Planning and Control; by C. S. Deverell. 1967. (Gee, presented, 55s.)
The New Horizons of Accounting. (Ninth International Congress of Accountants.) (Paris.) 1967. (Ninth I. C. of A., presented.)

Organisation and Methods: a service to management; edited by G. E. Milward: second edition. 1967. (Macmillan, 70s.)
Pension Scheme Practice; by M. Pilch and V. Wood. 1967. (Hutchinson, 40s.)
Principles of Administrative Law; by J. A. G. Griffith and H. Street: fourth edition. 1967. (Pitman, 45s.)
Problems of Stocks and Storage; by A. J. H. Morrell (and others). 1967. (Oliver & Boyd, 25s.)
Professional Goodwill and Partnership Annuities: practice administration booklet no. 11; by E. K. Wright, F.C.A. 1967. (Institute of Chartered Accountants, 7s 6d.)
The Sole Practitioner: practice administration booklet no. 12. (Institute of Chartered Accountants.) 1967. (I.C.A., 7s 6d.)
Storage and Control of Stock for Industry and Public Undertakings; by A. Morrison: second edition. 1967. (Pitman, 35s.)
Taxation for Executors and Trustees; by A. R. Mellows. 1967. (Butterworths, 30s.)
Teach Yourself Operational Research; by M. S. Makower and E. Williamson. 1967. (English U.P., 10s 6d.)

Reduce Direct Taxation – and Unravel the Complexities

Views of Scottish Institute's President at London Dinner

IF Britain were to join the European Economic Community there would be a need to harmonize the tax system with that of her potential partners in Europe, said Professor D. S. Anderson, M.A., C.A., President of The Institute of Chartered Accountants of Scotland, at the fiftieth annual dinner of the Association of Scottish Chartered Accountants in London held at the Savoy Hotel on November 6th.

Was it too much to hope that thought was being given to this urgent problem in the right quarters and that the burden of direct taxation would be much reduced – possibly with an increase in indirect taxation? he asked.

Professor Anderson, who was replying to the toast of the Institute proposed by the Earl of Verulam, added that the London Chamber of Commerce was urging a simplification of the taxation code, and Mr Iain Macleod, the shadow Chancellor, was promising the abolition of selective employment tax and a reduction in personal taxation by a Conservative Government.

This was encouraging, said Professor Anderson, and people in authority were waking up to the need for a lightening and simplification of the tax burden.

A new incentive

Professor Anderson went on to say that a big reduction in the standard rate of income tax, in the penal surtax and estate duty rates, accompanied by a radical review of the appalling complexity of the statutes, would remove one incentive and replace it with another – for the urge to seek out loopholes in the statutes and ways to exploit them would lose much of its momentum and the active taxpayer would feel that harder work with higher earnings would be really worth while.

A positive move in this direction would make available for productive purposes many millions of highly-paid

man-hours, would restore the incentive to work and would reduce the huge numbers employed in industry to deal with the minutiae of taxation – selective employment tax, P.A.Y.E., purchase tax and the like.

Vigorous enclave

Speaking in a lighter vein, Professor Anderson said that two of the principal characteristics of the Scot were his penchant for occupying other people's lands and his reputation for canniness. Unlike him, he imagined they must have bought one-way tickets fearing that success in the south would mean the waste of the return half.

That there was such a healthy and vigorous Scottish enclave amidst the profession in London gave him and the Council great encouragement. The Institute had always insisted on high standards of training and professional behaviour and the high regard in which the Scottish chartered accountant was held, not only in England but throughout the world, seemed to point to the success of the Institute's policy in education and training.

Professor Anderson said they must remember that the high esteem in which they, as Scottish chartered accountants, were held stemmed largely from the progressive thinking of successive Councils of their Institute.

They were the beneficiaries of that policy and while he was sure that they appreciated the value of their designation, he felt that more should show their gratitude in a more practical way. There were so many ways in which they could repay some of the debt to their Institute. The Council was constantly in need of people to serve on it, on its committees, to lecture, to train, to tutor and to contribute ideas.

Professor Anderson said that members had recently received a report on the progress of negotiations in connection with the future of the profession in

Great Britain and Ireland. The negotiations had been protracted, but members would understand that the complex problems involved required very careful thought. Considerable progress had been made and it was hoped that something positive and detailed would be submitted to all members before too many months had passed.

Remarking that Lord Verulam had referred to the contribution the accountancy profession was making to the industrial and commercial life of this country, Professor Anderson said that so far as the practising side of the profession was concerned, their contribution was considerably circumscribed by demands made on their time and talents by the need to cope with the intricacies of the taxation problems of their clients.

Unproductive labour

From a community point of view, this was completely unproductive labour but with the present penal rates of direct taxation it was often a matter of survival as far as their clients were concerned. The high levels of taxation produced a demand for advice in the interest of minimization of the burden, but if all this effort were channelled into business management, the effect on the productivity of the nation would be dramatic, he said.

The guests were welcomed by Mr T. W. Macdonald, C.A., convener of the London local Committee of the Institute, who presided at the dinner. He also extended a special welcome to Lord Verulam, who was a former President of the London Chamber of Commerce, and who had always taken an interest in industry, commercial affairs and overseas trade.

Two members of the London Scottish pipers played members and guests – who numbered some four hundred and fifty – into dinner and piped in the haggis, a traditional course on the menu.

Growth and Strength of the Institute

President's Comments at Newcastle Dinner

THE growth and strength of The Institute of Chartered Accountants in England and Wales, bringing with it ever-increasing pressures, was referred to by the President of the Institute, Mr W. E. Parker, C.B.E., F.C.A., at the annual dinner of the Northern Society of Chartered Accountants held in Newcastle upon Tyne on Thursday of last week under the chairmanship of Mr N. T. O'Reilly, O.B.E., F.C.A., President of the Society.

Keeping in touch

Mr Parker, who was addressing over five hundred members and guests, was responding to the toast of the Institute. He said it had been nine years since he had last visited Newcastle, and added that in a professional body of the size of the Institute there was always a danger of losing contact between those at the centre and those who were 'out on the battlefield'.

'It is a matter of regret to me that there is not more opportunity to get out to meet more of the members and initiate wider contacts, but much of this is attributable to the ever-increasing pressure within the Institute,' he said.

Mr Parker went on: 'There are at present at headquarters alone no less than 123 committees, subcommittees and working parties and groups of one kind and another. These occupy the time and experience of no less than 200 members of the Institute.'

'This year these groups have already held 336 meetings compared with 219 meetings held during the previous year - an increase of 50 per cent. I

would also remind you that these services are given voluntarily.'

'Our charter requires us, as our main purpose, to pursue the elevation of our profession. That does not deprive us from fostering the status of our profession,' he added.

Mr Parker thanked Mr H. A. D. Robertson, Town Clerk of Carlisle, for the many kind things he had said when proposing the toast of the Institute. They were much appreciated by members.

Mr Robertson stated that he understood that the Institute was divided nationally into sixteen districts, each with its own Society and its own President. 'I would like to say something of the Northern District, in which we are all happily foregathered here this evening, and in which I believe there are certain things which are quite unique,' he said.

Largest area

'First, it is geographically the largest district. It also has the distinction of containing some of the most attractive and outstanding coastline, and lakes and mountains, as well as boasting heavy industries and commerce whose products are renowned throughout the world.

'This part of the country, too, had the first efficient road system which enabled large quantities of foreign-made goods, such as pottery and so forth, to be sold in the market places of Corbridge and Carlisle.

'At the time of which I now speak this country was in a "common market".'

I wonder why in this year 1967 we are now seeking to rejoin it!

'In those days we had our accountants and they had their computers which did not involve a great deal of expenditure in installation and which would never require "debugging".'

'Throughout the intervening period you have marched on and multiplied, gathered strength and status, until today, alas, you are quite indispensable to people in all walks of life.'

Future advancement

Mr Robertson said he believed that the advance of chartered accountants had not yet ended, and although they had rightly acquired great power and position in society they still had a great way to go.

He went on to observe that no less than 40 per cent of chartered accountants were not only engaged in industry but in jobs that were of considerable and growing importance.

'Never let it be overlooked that the position the profession holds in society today, and the esteem in which its members are held, is largely due to The Institute of Chartered Accountants in England and Wales,' Mr Robertson added.

Mr Stanley A. Middleton, F.C.A., proposing the toast of 'The Guests', said how much the Society was honoured to have so many distinguished guests attending its eighty-fifth annual dinner.

The response on behalf of the guests was made by Mr W. B. Cook, headmaster of Durham School.

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REVALUATION OF ASSETS

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS G. P. CATCHPOLE & Co, Chartered Accountants, have moved their London offices to 12 Eccleston Street, London SW1, where the practice will continue under the direction of Mr ANTHONY S. JOLLIFFE, A.C.A., A.T.I.L. and Mr HOWARD T. WATSON, A.C.A., with Mr G. P. CATCHPOLE, F.A.C.C.A. as consultant. The area offices remain at Central Chambers, 47 High Street, Tonbridge, Kent, Aurex House, 9 Grange Road, Eastbourne, Sussex and at 360B, Station Road, Harrow, Middlesex.

MESSRS EVERETT, PINTO & Co, Chartered Accountants, announce with profound regret the death of their senior partner, Mr BERNARD JAMES BRIDGES, B.A., F.C.A., on November 8th, 1967.

MESSRS A. F. FERGUSON & Co, Chartered Accountants, of Karachi, Chittagong, Dacca, Lahore and Rawalpindi, Pakistan, announce that they have admitted into partnership Mr SAFDAR SALEEM, A.C.A., and Mr SHAHAB AZFAR, A.C.A., as from November 1st, 1967. Both have been with the firm for a number of years.

MESSRS PANNELL FITZPATRICK BELLHOUSE MWANGI & Co, Chartered Accountants, of Kenya and Tanzania announce that they have opened an office in Allah Bux Street, P.O. Box 1910, Kisumu, Kenya, with Mr M. G. GUDKA, A.C.A., as resident partner. Mr GUDKA has for some time been manager of the firm's office at Nyeri.

MESSRS WHINNEY MURRAY & Co and WHINNEY MURRAY ERNST & ERNST, announce that they have opened an office in Jeddah, Saudi Arabia, where Mr D. T. E. YOUNGMAN, F.C.A., is the resident partner. The address of the office is P.O. Box 1994, Jeddah.

Appointments

Mr Ian C. Black, C.A., has been appointed secretary of Whatlings Ltd.

Mr Robert Cole, A.A.C.C.A., group accountant of WLP Printing Group Ltd, has been appointed director and secretary of the company. He retains his position as director and secretary of Williams Lea & Co Ltd, a member company of the WLP Printing Group.

Mr R. Fawcett, F.C.A., has been appointed a director of Allied Investments Ltd.

Mr A. Gorard, F.C.A., has left Anglia Television to join the Harlech TV Consortium.

Mr Michael A. R. Johnson, M.A., A.C.A., has been appointed to a newly created position of controller at Stanley Works (G.B.) Ltd.

Mr David McCall, C.A., has been appointed secretary and chief accountant of Anglia Television.

Mr C. R. Malthouse, A.C.A., has been appointed special assistant to the financial director of The Sperry and Hutchinson Co Ltd.

Mr W. E. G. Manning, A.A.C.C.A., has been appointed chief accountant of the clock and watch division of Smiths Industries Ltd.

The Rt Hon. Lord McFadzean, C.A., J.DIP.M.A., has been elected a director of the Canadian Imperial Bank of Commerce.

Mr Clarence Hughes Moors, F.C.A., has been appointed chairman of Greenall Whitley & Co Ltd.

Mr J. A. Nutt, A.C.A., finance director of Sigmund Pulsometer Pumps Ltd, has been appointed commercial director, and will be responsible for the company's marketing policy and its execution through the home and export sales departments.

Mr D. Pearson, F.C.A., has been appointed a director of Pope & Pearson Ltd.

The Rt Hon. Lord Polwarth, T.D., D.L., LL.D., M.A., C.A., has been elected a director of the Finance Corporation for Industry.

Mr George Russell, C.A., has been appointed assistant managing director of East Midland Allied Press Ltd.

Mr Philip H. Shirley, a member of The Institute of Chartered Accountants in Australia and vice-chairman of the British Railways Board, is to join Cunard as from January 1st, as a deputy chairman with special responsibility for group finance. He will remain a part-time member of the Railways Board.

Mr D. Stead, F.C.A., has been appointed secretary of G. R. Herron & Son (Holdings) Ltd. He is at present secretary of three subsidiary companies.

Mr B. W. Sutherland, F.C.A., has been appointed a director and elected chairman of the board of Midland Aluminium Ltd.

Mr Norman Arthur Allport, F.C.A., of Jersey, C.I., has been appointed a Commander of the Most Venerable Order of St John by Her Majesty the Queen.

START OF LEASEHOLD REFORM

The Minister of Housing and Local Government told the House of Commons last week in a written answer that he intended bringing the Leasehold Reform Act 1967 into operation on January 1st, 1968. A free booklet on the enfranchisement rights of lessees is being made available to the public from local authorities and Citizens' Advice Bureaux from the middle of November.

Extension of the Rent Act 1965 will also be explained in a free leaflet which similarly is to be available to the public through local authorities, advice bureaux and rent officers; and a new edition of the booklet *Houses held on Ground Lease*, dealing with statutory tenancies following the expiry of leases, will shortly be on sale.

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COMPANIES ACT: NEW FEES

In view of the considerable number of annual returns received with a 5s registration fee, the Board of Trade reminds company secretaries and accountants responsible for submitting annual returns under the new Companies Act that the increased registration fees (£3 instead of 5s) became payable on all annual returns received on and after October 27th, 1967.

REVENUE LEAFLETS**Capital Gains Tax and Corporation Tax**

Supplements are available to the Inland Revenue yellow and blue explanatory booklets on the capital gains tax and corporation tax on the changes introduced by the Finance Act 1967. The supplement to the yellow (capital gains tax) booklet covers two pages; that for the blue (corporation tax) booklet five and a half pages. They can be obtained from local tax offices; applicants should ask for 'Capital Gains Tax Leaflet 560 (1967) Insert' and 'Corporation Tax Leaflet 570 (1967) Insert'. Inserts for the previous Finance Act (1966) are also still available.

SOCIAL SECURITY GUIDE

A new pocket-size issue of *Everybody's Guide to Social Security*, explaining in simple terms the various benefits under the National Insurance, Industrial Injuries and Supplementary Benefits Schemes, was published last week.

The *Guide*, which contains sixty pages, has been prepared by the Ministry of Social Security and the Central Office of Information and is available from H.M. Stationery Office, price 1s (by post 1s 4d).

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade has announced the following appointments: Mr Arthur Thomas Check to be Deputy Inspector-General of Companies, Companies Liquidation and Bankruptcy, Board of Trade; Mr Christopher Albert Taylor to be Senior Official Receiver Companies Liquidation attached to the High Court; Mr Ralph Arthur Donovan Copper to be Principal Clerk in Bankruptcy attached to the office of the Inspector-General in Bankruptcy

(London); Mr Ronald Frank Savage to be Official Receiver for the Bankruptcy District of the County Courts of Northampton, Bedford, Luton and the Bankruptcy District of the County Courts of Cambridge and Peterborough; Mr Alan Stanley Ford to be an Inspector of Official Receivers attached to the office of the Inspector-General in Bankruptcy (London); Mr Geoffrey Brian Gillvray to be an Assistant Official Receiver in Bankruptcy attached to the High Court; Mr Kenneth Harold Bidmead to be an Assistant Official Receiver for the Bankruptcy District of the County Courts of Bradford, Dewsbury, Halifax and Huddersfield.

The former appointment of each official has been revoked.

Upon promotion to Principal Examiner the appointment of Mr Ernest Gilmour Harper as an Assistant Official Receiver in Bankruptcy attached to the High Court is revoked.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Owing to the overwhelming demand for the London and District Society of Chartered Accountants' evening meeting to be held on December 7th, it has been necessary to arrange a further meeting at the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4, at 6.45-7.30 p.m. on the same day, when Mr G. J. Howe, F.C.A., has consented to repeat his talk on the 1967 Companies Act.

In addition to the conferences previously arranged and referred to in our issue of September 16th, a three-day non-residential conference on management information is now to be held on February 28th and 29th and March 1st, 1968, at The Great Western Royal Hotel, Paddington.

NORTH WEST SOCIETY OF CHARTERED ACCOUNTANTS

A one-day course on 'The effects of the Companies Act 1967 on the Companies Act 1948' is to be held by the North West Society of Chartered Accountants on December 6th at the Masonic Temple, Saul Street, Preston.

The course fee, inclusive of lunch and other refreshments, will be £2 2s and further information may be obtained from Mr W. Butterworth, Assistant Secretary of the Society, 42 Garstang Road, Preston, PR1. 1NA. The closing date for applications is November 20th.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

A one-day computer course is to be held on December 6th by the Northern Society of Chartered Accountants. The course will take place in the Banquet Hall, Gosforth Park, Newcastle, and will be addressed by leading speakers in the computer field.

The content of the course should be of interest both to practising and industrial members.

BEDS, BUCKS AND HERTS SOCIETY OF CHARTERED ACCOUNTANTS

The Industrial Discussion Group of the Beds, Bucks and Herts Society of Chartered Accountants has so far held two successful meetings in a seminar of seven meetings dealing with business organization and financial practice.

The opening speakers were Mr J. L. Dickinson, F.C.A., managing director, Skefko Ball Bearing Co Ltd, and Mr J. Ellis, F.C.A., chief internal auditor, Vauxhall Motors Ltd, whose stimulating papers were enlivened by excellent questions and answers, and general discussion.

Speakers at the remaining five meetings will be as follows:

November 30th. Mr R. F. Waterfall, F.C.A., borough treasurer, Luton County Borough.

January 4th. Mr P. G. Buteux, F.C.A., chief accountant, Electrolux Ltd.

March 7th. Mr N. Hoad, F.C.A., finance manager, International Computers & Tabulators Ltd.

April 4th. Mr R. Mucklestone, secretary, Britannia Airways Ltd.

Any member of the Institute in the Society's area who would like to attend the meetings and is not already on the circulation list should contact the Secretary, Mr J. D. Blumsom, A.C.A., Electrolux Ltd, Luton, Beds. All meetings will be held at Electrolux Ltd.

SOUTH ESSEX SOCIETY OF CHARTERED ACCOUNTANTS

'Taxation factors in business management' was the theme of a whole-day course held by the South Essex Society of Chartered Accountants in the pleasant surroundings of Hutton Masonic Hall, Shenfield, Essex, on October 27th. Papers were given by Mr H. R. Rowe, B.A., Mr P. W. de Voil and Mr A. R. English, F.C.A., whose names are well known in various fields of taxation and finance.

The course was arranged at an advanced level and was designed to

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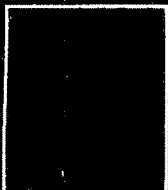
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Your courses diary for 1968

One of a series of advertisements designed to remind members and non-members of the extensive facilities available.

INSTRUCTIONAL COURSES organised by the Institute are open to all members, and non-members when sponsored by a chartered accountant. The following list indicates residential courses for 1968. A series of shorter non-residential courses are now being planned. Full details and application forms are sent, prior to the courses, to all members of

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No.	Subject		Dates of Series	Duration of each Course	Planned Size	Location
1968						
1	Systems Analysis	Between	4 & 11 January	4 days	3 x 50	Hotel Metropole, Brighton
2	E.D.P.	Between	20 & 25 February	3 days	4 x 50	Hotel Metropole, Brighton
3	Tax	Between	23 & 29 March	5 days	3 x 50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1 x 70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3 x 50	Hotel Metropole, Brighton
• 6	Summer Course		11-16 July	5 days	1 x 200	Christ Church, Oxford
• 7	Summer Course		18-22 September	4 days	1 x 200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on - see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3 x 50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4 x 50	Hotel Metropole, Brighton

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THE ACCOUNTANT

Established 1874



Vol. CLVII. No. 4849

November 25th, 1967

The Recognized Weekly Journal for the Accountancy Profession throughout the World

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After Devaluation – What?

SO the inevitable has happened. Last week-end sterling was devalued by some 14 per cent and the official dollar-sterling rate of exchange became \$2.40 instead of \$2.80. For the time being the member countries of the European Economic Community are maintaining their existing parities. This consideration doubtless determined the choice of the new sterling parity, since anything more would have initiated a series of competitive devaluations among the world's trading nations.

The events of last week-end were inevitable because anyone with the merest understanding of economics had realized ever since July 1966 that unless world economic forces moved sharply in Britain's favour and the Government succeeded in its incomes policy, sterling could not be defended in the face of any further deterioration in the country's external account. It is true that the Middle East conflict and the closure of the Suez Canal, together with the seamen's strike earlier and the current dock strike, have not helped the Government. But these events were not responsible for the devaluation; they merely hastened the inevitable.

The real danger now is that having devalued it will be assumed – not least by those who have been advocating for some time past a devaluation of sterling on the grounds that it would provide the breathing space in which a new expansionist phase could be mounted – that the main problem has been resolved. Nothing could be further from the truth. The basic weaknesses in the U.K. economy still remain. What the devaluation means is that the Government has now to implement effective incomes and re-deployment policies in an economic climate which, in the coming months, will be far less favourable than that at any time during the past three years.

By itself the devaluation should help, at least initially, the overseas current payments account. For the individual exporter, lower prices in overseas markets should mean higher sales. At the same time it means higher import prices, which should discourage domestic consumption. The combined effect, therefore, of devaluation should be a significant improvement in the visible trade account.

The question is whether such an improvement will be short-lived. The most serious aspect of the devaluation is the higher cost of imports which, for the U.K., means raw materials and food-stuffs. As the internal price level begins to rise, so labour will press for compensatory wage increases which, if granted, will ultimately nullify the relative price and cost advantage which the devaluation

confers upon British exporters. Furthermore, as the cost of imported manufactured consumer goods rises, so the domestic consumer will tend to buy more of the home produced product, thus pre-empting the flow of goods into the export markets.

It is for these reasons, i.e. the need to restrain increases in labour costs to exporters and to prevent the home market becoming so buoyant that manufacturers divert too much of their output to domestic consumers, that the devaluation has to be supplemented by other measures. Without them it is reasonable to assume that a further devaluation would be necessary within a twelve-month.

Of the supplementary measures, the increase in Bank rate from $6\frac{1}{2}$ to 8 per cent is partly intended to raise the costs of borrowing at home and contribute its mite to the deflationary forces. Its primary purpose, however, is to try and hold such foreign funds as remained in Britain now that the risk of devaluation has turned into reality. As the Royal Commission on the Working of the Monetary System had to concede in its critical review of the effectiveness of interest rate changes, increases in Bank rate still affect the movement of funds between the international centres.

The more important measure in the longer run is the series of cuts in public sector spending. The others are, of course, the increase in corporation tax, the withdrawal of the export rebate and (except for development areas) the SET premium, and further restrictions on consumer spending by limiting bank advances and hire-purchase facilities.

To what extent do these supplementary measures suggest that the Government is prepared to defend the existing sterling parity? The answer is not encouraging. The promised cuts in public sector outlays, i.e. £100 million apiece on the nationalized industries' capital programmes and defence, must be linked with the withdrawal of the export rebate and the SET premium to manufacturers which are expected to save another £200 million between them. An aggregate cut in public sector outlays of some £400 million is hardly substantial in relation to the current level of spending, i.e. nearly £12,000 million. At best these proposed cuts will offset some of the reflationary pressure which has been building up within the economy during recent weeks.

The increase of the down payment to one-third and the accelerated repayment of hire-purchase facilities for car buyers, reflects the Government's reliance on larger exports of motor-cars. The increase in corporation tax to $42\frac{1}{2}$ per cent represents the Government's belief that by taking a side-swipe at dividends and corporate profits, the labour unions will accept more philosophically a new phase of wage freeze. It is

doubtful if anyone outside the ranks of the Cabinet actually believes such nonsense. The effective increases in taxation due to the withdrawal of the export rebate and SET premium to manufacturers will marginally intensify the deflationary pressure.

While the maintenance of the credit squeeze and restrictions on consumption are needed to avoid a diversion of U.K. manufactures from export markets into the home market, there is another and more important object. This is to help create an economic climate in which employers are not only reluctant to grant further wage demands, but will be encouraged to enforce the redeployment of redundant labour. It should be recognized that the trade unions will not abate their wage claims unduly on account of rising unemployment; the only means of stiffening employer resistance to such claims is to make profits still harder to earn.

In short, the success of the devaluation depends on the extent to which its benefits for the export industries are not eroded by rising costs – in particular, labour costs. To talk, as have some commentators, of new opportunities being provided by the devaluation, is to ignore realities. If anything, the Government's task in correcting the basic weaknesses in the U.K. economy is made more difficult: it will have to try and enforce both an effective incomes policy and measures for redeployment of labour in an economic climate of rising prices and industrial uncertainty.

The promise of additional loans amounting to \$3,000 million must arouse conflicting emotions in any British observer of the current scene. For unless the Government's policies succeed in the next few months, these new borrowings could go the same way as have the previous loans, not to mention the holding of U.S. dollar securities worth over \$1,200 million and a significant part of the gold and foreign exchange reserves. Too little information is available concerning the total cost of defending sterling during the past three years to know what the future claims on Britain's overseas earnings are likely to be. All that can be said with confidence is that they are not likely to be small.

The sum total of the disaster has yet to be counted. To devalue after so many assertions to the contrary is bad enough; to devalue under pressure in the face of which the authorities poured still more good money after bad, is worse. The real tragedy is that the Government has now to make a start on tackling the problems which were before them in October 1964. As a start perhaps someone will try to move the exports which have been lying in the docks for the past six weeks and more. Devaluation alone will not get them to their buyers.

COMPANIES ACT 1967

Substantial Individual Interests

THE provisions for a register of directors' shareholdings under section 195 of the Companies Act 1948 have been repealed and replaced by section 27 of the Companies Act 1967 with effect from October 27th, 1967. Section 27 of the 1967 Act places an obligation on a director of a company to notify the company of any interests he has in shares in, or debentures of, the company or associated companies. Section 28 sets out the circumstances in which a person is to be treated as being 'interested in' shares or debentures of a company, while section 29 provides that the information furnished under section 27, together with certain other information about directors' interests, must be recorded in a register which is to be open to inspection by members of the company and by other persons.

Under section 33 of the 1967 Act, provision is made for securing the disclosure of individual interests of 10 per cent or more of the nominal value of share capital of a class carrying rights to vote in all circumstances at general meetings of a company which has, as respects the whole or any proportion of its share capital, been granted a quotation on a recognized stock exchange. Such capital is referred to as 'relevant share capital'.

A person must, under section 33, notify the company when 'in consequence of the occurrence of an event' he becomes interested in one-tenth or more of relevant share capital or when before the occurrence of the event he held less than 10 per cent and by reason of the occurrence of the event his holding is brought up to 10 per cent or more. He must also give notice to the company of all further acquisitions and disposals whilst he remains interested in 10 per cent or more of relevant share capital until such time as his holding becomes less than 10 per cent or is disposed of altogether, in both of which events he must give notice to that effect. Thus the acquisition of a 10 per cent interest, an increase or decrease in such interest (but not below 10 per cent) and the reduction of the interest below 10 per cent or its entire disposal are all notifiable events where they relate to relevant share capital.

But so long as a person has less than 10 per cent of relevant share capital it is immaterial that other

members of the family also have holdings of less than 10 per cent since there is no provision for aggregation in the case of connected persons. It is therefore possible for members of a family to hold more than 10 per cent of relevant share capital between them without any of them being liable to give notice under section 33. But this is apart from any obligation any member may have as a director under section 27 of the 1967 Act.

Where there is an obligation to notify the company, the notice must be in writing, must specify the event and the date on which it occurred and, according to circumstances, must state the number of shares comprised in the relevant share capital, specifying it, in which, immediately after the occurrence of the event, he is interested, or the fact that, immediately after the event, he is not interested in that share capital, again specifying it (subsection (1)).

In the case of a company which on October 27th, 1967, is one to which section 33 applies, every person who at that time was interested in 10 per cent of the relevant share capital of the company must notify it of the subsistence of his interests at that time and state the number of shares comprised in that share capital (specifying it) in which each interest subsists, but a person is not required to notify an occurrence before that time. Thus, if a person holds 10 per cent of the relevant share capital on October 27th, 1967, he is not required to give particulars of the circumstances in which he acquired those shares by instalments in earlier years (subsection (2)).

If a company becomes one to which section 33 applies after October 27th, 1967, (a) because it obtains a stock exchange quotation for the whole or any proportion of its share capital, or (b) after that date the company's share capital of any class becomes relevant share capital because it carries rights to vote in all circumstances at general meetings of the company, a person who holds 10 per cent or more of the relevant share capital must give notice to the company on the occurrence of event (a) or event (b) as the case may be; but both events must in fact have occurred for the obligation to give notice to the company to arise (subsection (3)). Under subsection (2), therefore, the notice must be given where a person holds 10 per cent of relevant share capital on October 27th, 1967. Under subsection (3) the notice must be given because an event occurs which gives the company's share capital or some proportion of it a stock exchange quotation or the person's shares become comprised in relevant share capital because that class of share capital is given unrestricted voting rights, and one or other of these conditions was not previously fulfilled.

Section 33 (4) applies the rules set out in section 28 of the 1967 Act (with the omission of the references to debentures) for the interpretation of and otherwise in

relation to section 33 (1) to (3) but there are to be disregarded for the purposes of section 33:

- (a) an interest for the life of himself or another of a beneficiary under a settlement in the case of which the trust fund consists of or includes shares, provided that the settlement is irrevocable and the settlor has no interest in income or capital of the settlement;
- (b) an interest as holder of shares of a person whose ordinary business includes the lending of money and who holds them by way of security only for the purposes of a transaction entered into in the ordinary course of that business;
- (c) an interest of the President of the Probate, Divorce and Admiralty Division of the High Court under section 9 of the Administration of Estates Act 1925;
- (d) an interest of the Accountant General of the Supreme Court in shares held by him; and
- (e) any such interests, or interests of such a class as may be prescribed by regulations made by the Board of Trade by statutory instrument. The definition of a class of interests for the purposes of such regulations may be framed by reference to any circumstances whatsoever and so may be widely drawn. This is expected to exempt holdings of shares by banks, insurance companies and possibly by professional persons who are trustees.

Under subsections (7), (9) and (10) of section 28 the following interests will also be disregarded for the purposes of section 33:

- (i) an interest in shares in reversion or remainder or (as regards Scotland) in fee, comprised in a trust, so long as some person is entitled to receive, during the lifetime of himself or another, income from the trust property;
- (ii) an interest of a person under an authorized unit trust scheme within the Prevention of Fraud (Investments) Act 1958, or a scheme made under section 22 of the Charities Act 1960, section 11 of the Trustee Investments Act 1961 or section 1 of the Administration of Justice Act 1965 or the scheme set out in the schedule to the Church Funds Investment Measure 1958;
- (iii) an interest of the Church of Scotland General Trustees or of the Church of Scotland Trust in shares held by them, or an interest of any other person in shares held by such trustees or trust otherwise than as simple trustees.

Section 33 (5) prescribes the times within which the obligations imposed by subsections (1) and (2) must be notified to the company. In the case of subsection (1), if at the time of the occurrence of the event giving rise to the obligation, the person under obligation knows of its occurrence and of the fact that its occurrence gives rise to the obligation, it must be fulfilled before the expiration of the period of fourteen days beginning with the day next following that on which the event occurs. Normally this means that if a person contracts to buy 10 per cent of the relevant share capital on December 31st, 1967, he must give notice not later than January 14th, 1968. Otherwise the

notice must be given before the expiration of the period of fourteen days beginning with the day next following that on which the fact that the occurrence of the event gives rise to the obligation, comes to his notice. This would appear to exonerate a person who is not guilty of wilful default but who, for example, on being informed by his accountant that his total holding of shares comprised in relevant share capital now amounts to 10 per cent notifies the company within fourteen days of being so informed.

In the case of an obligation to notify imposed by section 33 (2), if a person does not know of the subsistence of his interests on October 27th, 1967, or knows only of the subsistence of interests of less than 10 per cent in relevant share capital on that date, the notice must be given before the expiration of fourteen days beginning with the day next following that on which the matter comes to his notice. Thus, on October 27th, 1967, a person might be a donee of a gift *inter vivos* of 10 per cent of relevant share capital, or of a percentage of relevant share capital which, together with his previous holding, brought his total holding up to 10 per cent. But he might not know of the gift until several days afterwards. In such circumstances the fourteen days begin to run from the day next following that on which he first became aware of the gift of 10 per cent or of the gift which, together with his present holding, brought his total holding to 10 per cent or more. If he obtains a further interest in relevant share capital of the company, he must notify the company within fourteen days of the date when the subsistence of that further interest came to his knowledge.

If a person knows of the subsistence of a 10 per cent interest in relevant share capital on October 27th, 1967, but does not know of the subsistence of a further interest until later, he must give two notices, one within fourteen days of October 27th, 1967, and the other within fourteen days of the date when the subsistence of the further interest comes to his knowledge. In reckoning any period of fourteen days, a day that is a Saturday or a Sunday or a bank holiday in any part of Great Britain is to be disregarded.

A person who fails to give notice within the proper period or who, in purported fulfilment of an obligation to give notice, makes to a company a statement which he knows to be false, or recklessly makes to the company a statement which is in fact false, will be guilty of an offence and liable (a) on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or both; or (b) on conviction on indictment to imprisonment for a term not exceeding two years or to a fine or both.

An obligation to give notice under section 33 will be treated as not being fulfilled unless the notice

identifies the person concerned and gives his address and, in a case in which the person is a director, is expressed to be given in fulfilment of the obligation imposed by section 33. It thus appears that there must be a double record in the case of directors, as their holdings must be recorded for the purposes of section 33 in a register kept in accordance with section 34 (to be referred to later) in addition to the register of directors' interests to be kept under section 29 of the 1967 Act. But proceedings in respect of an offence under section 33 may not, in England or Wales, be instituted except by or with the consent of the Board of Trade or the Director of Public Prosecutions.

An interest in shares may, of course, be obtained

otherwise than by purchase, for example, as legatee, as the person entitled on an intestacy or as the donee under a gift *inter vivos*. In the case of a purchase, however, it appears that the obligation to notify arises when the contract to buy is entered into and not when the transfer is signed by the transferor or is registered in the company's books. It is also to be observed that since section 33 only relates to shares which are of a class carrying rights to vote in all circumstances at general meetings of the company, it does not apply to preference shares which only vote when dividends are in arrear, even when, it is thought, such dividends are in arrear, since the right does not obtain in *all* circumstances.

Mumbo Jumbo

THE Lord President of the Council, Mr RICHARD CROSSMAN, opened a debate in the House of Commons last week on its procedure. He took credit for the Act which abolished Black Rod's interruptions but which 'carefully preserves the mumbo jumbo for ceremonial occasions when it does not interrupt serious debate'. He then went on to ask the House to accept his proposal to send the annual Finance Bill 'upstairs'. In other words the committee stage of the Finance Bill would no longer be debated on the floor of the House but in a standing committee, with a time-table. In support of this proposal Mr CROSSMAN quoted his own arguments delivered earlier in the year, namely, that this 'reform' would 'certainly revive our vitality and improve the standard of our debates' by lifting 'the dead financial weight which cumbers the floor of the House for so many weeks during summer'.

Another advantage from the point of view of the Government is that in standing committee there is not so much publicity for gaffes made by Ministers when vainly trying to explain provisions which they themselves have failed to understand. As Mr SELWYN LLOYD said in reply, it suits the CHANCELLOR OF THE EXCHEQUER. 'He need not appear. The rows will be muted; the publicity will be nominal'.

The LORD PRESIDENT made quotations from a memorandum by Lord BUTLER in support of his argument, but these were shown by subsequent speakers in the debate to be somewhat selective

quotations. Mr SELWYN LLOYD pointed out that Lord BUTLER had also said that sending the Finance Bill upstairs would give rise to a number of practical difficulties. Lord BUTLER thought that a single standing committee would not be enough; there would have to be two or more with different parts of the Bill distributed among them. Drawing on his own experience as a former Chancellor of the Exchequer, Mr SELWYN LLOYD said that whereas he had previously thought it a good idea for technical parts of the Finance Bill to be considered in standing committee, in practice those were the parts which took up the least time on the floor of the House. He still thought that there might be something to be said for consolidation measures or technical clauses to be considered in standing committee, but he was utterly opposed to the general principle of sending the whole Bill upstairs.

We have no doubt that, when it was introduced, section 28 of the Finance Act 1960 was regarded as a technical clause whose object was to counter avoidance devices of a somewhat esoteric nature. On that footing, section 28 would, on Mr SELWYN LLOYD's formula, have gone upstairs. In fact it was extensively debated on the floor of the House and it was considerably improved. But even in its improved form it has had the most widespread effect and has been used by the Inland Revenue so extensively as almost to constitute a new tax in itself – a tax moreover which operates in the harshest and most anomalous ways.

Even those members who were in favour of committing the Finance Bill to a standing committee also asked that the standing committee procedure be reformed. It is notorious that in standing committees Government back benchers are careful to say nothing, or practically nothing, in order to avoid delaying the

passing of the Bill. While sitting on the standing committee they will not be able to take part in debates in the House itself, and therefore as members of Parliament they will be practically neutralized.

When one considers the whole history of Parliament in Britain, and the slogan of 'no taxation without representation', it certainly is remarkable that the annual Finance Bill, which reimposes the income tax

and which, in recent years, has imposed a plethora of new taxes, should be relegated to some obscure committee room. Criticism of the abstruse and even incompetent drafting of Finance Bills has been widespread for some time now. Unless the full glare of publicity is maintained on this drafting it will almost certainly get worse – a prospect most daunting to all concerned with understanding it.

Current Affairs

Institute's Intermediate Examination

IN the Intermediate examination of The Institute of Chartered Accountants in England and Wales held last September, 2,576 candidates sat, of whom 1,380 (53.6 per cent) passed.

First Place in Order of Merit and the Stephens Prize were won by Mr Christopher Edward Roshier, of Exeter; Second Place in Order of Merit, the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize, the Frederick Whinney Prize and (equal with one other) the Deloitte-Plender Prize for the paper on Book-keeping and Accounts I, were won by Mr Michael Richard Brock Gatensby, of Beckenham, and Third Place in Order of Merit by Mr John Mark Buckler, of Liverpool.

The full list of names of successful candidates is published as a supplement to this issue.

Accountancy Degrees at Glasgow University

THE institution by the University of Glasgow of the new degrees of Bachelor of Accountancy and Master of Accountancy gives expression to the increasing opportunity in the University for the study of subjects within the field of accounting, finance and taxation.

The new degrees are awarded in the Faculty of Law. The bachelor's degree (B.Acc.) may be awarded as an ordinary degree or a degree with honours, the curriculum extending over three or four years. Firmly

based on accountancy, business law and economics, the curriculum provides scope for advanced study in business finance, management accounting, auditing theory and taxation. The increasing importance of computers and of mathematics is recognized by the introduction of courses in computing science and operations research methods, while the human factor is also recognized by a course in industrial relations and behavioural studies. Other options include economic history, industrial law, administrative law, and trust law and accounting. For the degree with honours, accountancy may be offered alone or jointly with law or economics.

The master's degree (M.Acc.) will be awarded on the basis of individual special study or research for which a thesis must be prepared. It is hoped to stimulate a number of research projects in fields in which academic research has been lacking in the United Kingdom.

The University's Department of Accountancy, established in 1925 with the foundation of the Johnstone Smith Chair of Accountancy and developed in recent years under the direction of Professor David Flint, T.D., M.A., B.L., C.A., will be responsible for the new courses offered in the bachelor's degree and for supervision of studies for the master's degree.

From Road to Rail

EVERY politician who has discussed the post-war transport scene has invariably referred to the need to 'co-ordinate' all branches of the transport system. No one disputes the need for co-ordination of road and rail transport facilities; unfortunately, however, like the word 'reasonable', it means different things to different people – including Mrs Castle, the Minister of Transport, who has just presented her Ministry's policy for the reorganization of publicly-owned road and rail freight services and the most economic use of rail freight services.

The White Paper, *The Transport of Freight* (Cmd 3470, H.M.S.O., 2s 9d net), opens with the statement that 'the basic objective of Government policy must be to improve the efficiency of the whole transport system'. With this profound declaration all can agree,

whether he be motorist or suburban rail commuter, road haulier or railway manager. When, however, the White Paper seeks to define the means whereby the efficiency of the system may be improved, the divergent interests of the various transport media must inevitably conflict.

The two main strands of thinking in the White Paper policy are, first, the creation of a new National Freight Corporation which will operate the various freight hauling services within the existing British Rail and British Road Services complex. This will gradually integrate with other road haulage and passenger interests. The problems here are those of ensuring operational efficiency and more, no doubt, will be heard of these in the future. It is the second strand of policy which has evoked the strong reaction of the road hauliers and commercial vehicle interests. This is the proposal to ensure that the railways should take over a larger share of heavy freight.

This is to be achieved by two main methods. The first is a new licensing system which will impose additional taxes upon heavy road vehicles ranging from £50 to £190 annually; then a new licensing authority whose primary purpose would seem to be to restrict entrants into the bulk materials transport industry by the simple device of giving the State-owned rail and road haulage interests the right to object to new applications. Not surprisingly, the motor manufacturers and road haulage interests have reacted sharply to the tax proposals. Their strongest argument is that the Minister is deliberately restricting the potential growth of the expanding road transport industry to subsidize the contracting railways. The critics are probably right; but this is not the only plank in the Minister's case.

Costing Solicitors' Costs

WITH a view to making its members more cost-conscious, the Law Society has just published a booklet entitled *Know What it Costs You* (5s net), which it describes as a key to economic and profitable working in private practice. It claims to provide the profession with a sound basis on which solicitors may calculate with a fair degree of accuracy what it costs to get their clients' work done. The method is geared on the time spent by the firm's fee-earning partners and staff to whose remunerations are added *pro rata* the total overhead costs of running the office. The aggregate sum (remuneration plus overheads) allocated to each of them, divided by the number of productive hours each works in a year, gives the hourly time-cost of each fee-earner. The booklet goes on to describe simple forms of time-sheets and client work records.

The Society stresses that time-costing does not necessarily mean that fees to clients should always be charged on a time basis. The level of profit has to be determined by the standard of living solicitors may reasonably be expected to enjoy taking into account their costly training, professional responsibility and retirement requirements. It is, however, essential that

the true time-cost is known because this information is fundamental to the conduct of a thriving practice.

Fuel Targets

THE public controversy between Mr Richard Marsh, the Minister for Power, and Lord Robens, Chairman of the National Coal Board, over the future wastage of labour in the coal-mining industry will doubtless ensure that the basis of the Government's statement on *Fuel Policy* (Cmd 3438, H.M.S.O., 8s net) will not get the proper attention it deserves. The policy for a four-fuel economy is based on the expectation that current demand for fuel, in terms of million tons coal equivalent, will grow from 300 million this year to 350 million by 1975. The basis for this assumption is, in turn, the assumption that the gross national product will increase at an average rate of 3 per cent per annum.

The distribution of this total of energy requirements will change markedly. The contribution of coal to the two figures quoted will drop from 180 million to 120 million tons; oil will increase from some 110 million to 145 million tons coal equivalent, nuclear and hydro-electric power will increase from some 10 million to 35 million and natural gas from just over 1 million tons coal equivalent a year ago to 50 million tons by 1975. As the White Paper concedes 'projections for so long a period ahead are inevitably subject to considerable uncertainty and the figures should be regarded as illustrating trends, not as setting targets'.

To make such reservations, however, does not ab-



Four prize winners in the June examinations of The Institute of Cost and Works Accountants pictured after receiving their prizes from the President of the Institute on Thursday of last week.

Left to right: Mr N. A. Eastaway, A.C.A., A.A.C.C.A., A.C.I.S., F.T.I.I., and Mr R. Elliott, B.Sc., joint winners of the Lewton Coronation Prize; Mr R. C. Benham, F.A.C.C.A., F.C.I.S., winner of the Beyer Peacock Prize, and Mr N. E. Lehr, B.A., winner of the Leverhulme Prize.

solve the Government from the responsibility of decisions based on these projections which will determine the pattern of investment in the fuel industries for the next quinquennium. They will determine the deployment of the labour force and, indirectly, will affect the distribution of industry. They may be good estimates and, in fairness to those responsible for the White Paper, there is a useful statistical and economic appendix in which the alternative bases for making such projections are quite well set out.

However much one may recall the unsuccessful efforts of the Ridley Committee to estimate the future

consumption of coal and thus view the latest estimates with considerable scepticism, the plain truth of the matter is that without 'guesstimates' there is no rational basis for a fuel policy. Such planning is the only means whereby the divergent and, at times, conflicting interests of the various industries can be resolved. From such a policy follows the welter of decisions based on social and political – as much as economic – considerations which have to be taken in the public sector of the economy. Such are the wastes of the planned economy which match those of the capitalist economy.

This is My Life

by An Industrious Accountant

WE'VE recently been doing various studies on the economics of establishing a grocery self-service supermarket on our ground floor, so last Saturday morning I decided to combine business with domesticity. I would survey operations at Brown's, the leading local supermarket, and simultaneously assist my wife with her week-end shopping.

The basic plan combined simplicity with brilliance. I would drive into Brown's car park after dropping off my wife at their front entrance, meet her at the check-out point twenty minutes later, collect her parcels and take them to the car park. Next, a connubial cup of coffee in Brown's café while we compared notes and then homewards at leisure. I would have liked to have had a master-spy's tiny camera in my lapel, like the 'Man from UNCLE', to highlight my subsequent presentation to the board, but the local photographic dealer didn't stock such gadgets.

Anyhow the scheme started well. Having reached the check-out point with ample time to spare, I decided to improve the plan by sauntering in exploratory style down the aisles. This proved an error of judgement. The aisles were thronged with steely-eyed British matrons pushing their shining trolleys as grimly as Ben Hur closing in on the Romans; they charged in sporadic rushes from sugar to cornflakes to rashers and woe betide the lingerer who held them up. To press forward meant hustling them; to walk slowly invited assault from the rear. After a mini-skirted fourteen-year-old emerging from an intersection had run me down with ruthless nonchalance, I decided to limp back with my almost cracked tibia to the rendezvous.

A file of patient men-folk stood there already. With care I noted their awkward stances, the lack of seating accommodation, the weary queues, and the stark

impossibility of customers checking the accuracy of the long tallyrolls thrust at them. Time passed. I grew leg-weary. More time passed. Anxious scrutiny of the thronging women revealed nothing as I waited doggedly at my post, like the sentry at Pompeii. Someone had blundered, but how?

Finally I questioned a supervisor. Had I, she asked, tried the other check-point at the far end of the store?

The subsequent marital discussion proved painful. The boy waiting to push our trolley loaded with three weeks' requirements of groceries listened listlessly awhile, then gazed into space. Finally, when my wife went off indignantly to get a hairdo, I lit a much-needed cigarette to soothe my harassed feelings.

When I looked round again the boy had vanished. So had our trolley. I went in vain back to the car park. Finally I sought the supervisor again to complain that the boy must have eloped with my trolley. She herself was somewhat excited because Jimmy, the missing store-boy, had just been reported as last seen wheeling his load across the busy Main Street at grave danger to life and limb.

Brown's store detective was taking contradictory statements from both of us when Jimmy reappeared, dishevelled and voluble. He was in the grip of a liveried character of wild-eyed aspect. This juvenile delinquent had wrecked the hairdressing emporium's plate-glass door, said the newcomer, who wanted immediate and exorbitant damages.

Jimmy maintained that his instructions were to follow 'the lady' with her purchases; anyway he'd only pushed their old door very gently and it must have been cracked all the time. Besides, the geezer with the black beard had spilt his parcels and hurt his shoulder.

There was a tense moment when reference to at least three different solicitors – ours, Brown's, and the hairdresser's – seemed the only solution, before belated recourse to the national genius for compromise saved the day. But clearly there's more to the establishment of procedures for this self-service business than meets the eye. It goes to show that prudent accountants shouldn't pursue commercial studies without testing the prototype model in action.

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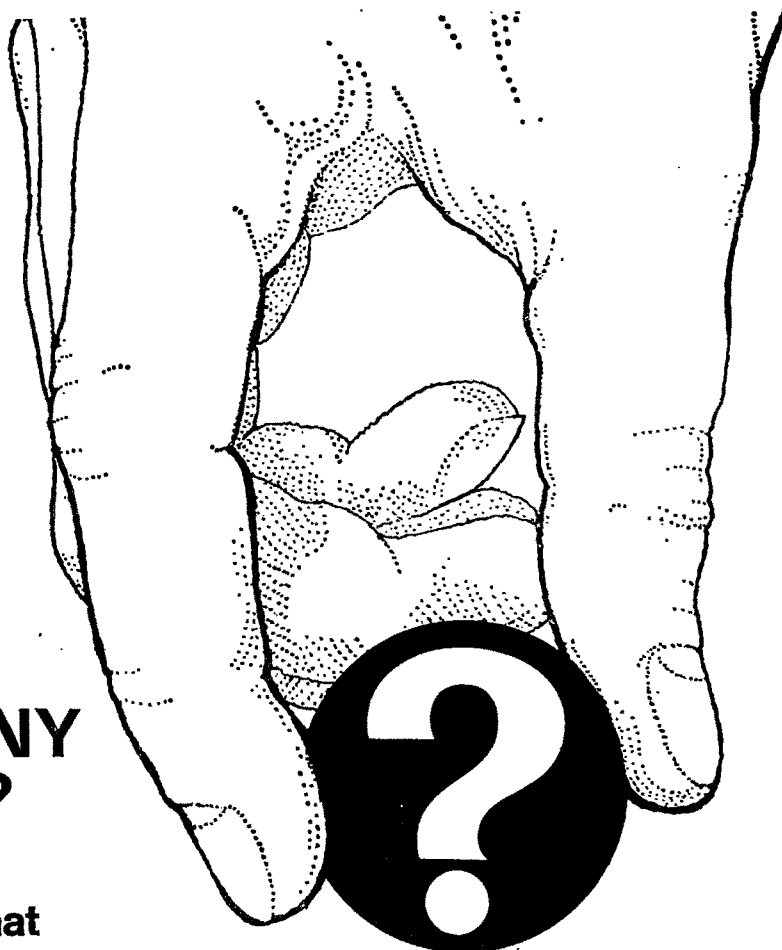
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Why Not Abolish Progressive Taxes?

by D. R. MYDDELTON, M.B.A.(Harvard), A.C.A., A.C.I.S.

IN their memorandum to the Royal Commission on Taxation the Inland Revenue proposed four criteria 'by which a tax falls to be judged as a fiscal instrument':

- (1) efficiency in raising revenue;
- (2) equity as between one taxpayer and another;
- (3) intelligibility to the taxpayer;
- (4) administrative simplicity.

The three progressive taxes – surtax, estate duty and capital gains tax – raise between them less than 4 per cent of total State revenue. They are neither equitable (requiring different taxpayers to pay different rates of tax), nor intelligible to taxpayers, nor simple to administer. The Inland Revenue criteria may be challenged, for they seem to suggest that 100 per cent confiscation is the best tax. Still, perhaps we should abolish those taxes – the progressive taxes – which fail to meet any single criterion.

Under a proportional income tax you pay more tax as your income increases, but the rate of tax on your extra income stays the same. Under a progressive income tax as your income increases you pay a higher rate of tax on your extra income. A recent study found that:

Except for a relatively small *élite*, the very notion of a *progressive* tax proved to be beyond grasp. By and large people could understand the concept of the wealthy paying more in tax than the less wealthy, but they did not comprehend the idea of the wealthy paying more than a proportionately greater tax than the less wealthy. (*The Uneasy Case for Progressive Taxation*, by Walter J. Blum and Harry Kalven, jun. (University of Chicago, 1963).)

Yet the Royal Commission claimed (Final Report, paragraph 186): 'It is the graduated form of income tax that this country has chosen to adopt and, as we believe, is determined to retain.'

Making a choice

The country's *rulers* may be determined to retain progressive taxation; but 'the country' has not chosen it in preference to proportional taxation, for people cannot choose rationally between two systems when hardly anyone knows the difference. Most people have no idea how high Britain's progressive tax rates have become, let alone approve of them. Even if they did know and approve, F. A. Hayek has pointed out in his *Constitution of Liberty*:

That a majority, merely because it is a majority, should be entitled to apply to a minority a rule which does not apply to itself is an infringement of a principle much

more fundamental than democracy itself, a principle on which the justification of democracy rests.

A proportional income tax would be unfair to nobody; though to prevent the tax system as a whole being regressive it would need a personal allowance at the base, rather like the present United Kingdom income tax system (excluding surtax), giving what Blum and Kalven call a 'degressive' structure. If this personal allowance were the same for everyone, so that a married couple got exactly twice as much as a single person, the present unfair discrimination against high incomes for married couples would be completely eliminated. And under a proportional income tax system the marginal rate of tax would be only slightly higher than the average rate, unlike under the present progressive system where the marginal rate of tax can be as much as thirty percentage points higher than the average rate of tax.

Advantages?

In his book, *An Expenditure Tax*, Nicholas Kaldor says: 'The case for progressive taxation rests on the political objective of the promotion of economic and social equality.' This is probably now much the commonest argument for progressive taxation, but Amotz Morag (*Taxes and Inflation*) has candidly admitted: 'The main disadvantage of this approach is that it convinces only those who need no proof.' Those who use it rarely advocate including foreigners in their schemes for economic and social equality (understandably, since that would mean reducing average British incomes to less than a third of their present levels).

Progressive income taxation is sometimes justified by the desire for equality of sacrifice. The main difficulty with this argument is measuring objectively the utility of money to different people at various income levels. 'Utility is a meaningful concept; units of utility are not. It is in the face of this difficulty that, even waiving all other objections, the whole elaborate analysis of progression in terms of sacrifice and utility doctrine finally collapses', observe Blum and Kalven in their previously mentioned book. A practical objection is that taxing higher incomes very heavily makes it harder to accumulate new fortunes, and thus tends to rigidify the distribution of wealth. A proportional income tax would allow a much more fluid economy, quicker to respond to the wishes of consumers.

Redistribution – another argument for progressive

taxes – provides little economic benefit. If all incomes left above £2,000 each year were confiscated and spread among the rest of the population, each person would receive only £12. Average income in 1966 was £540 per head, so growth of only just over 2 per cent would exceed the entire benefit from such confiscation. Thus progressive taxes need not restrict growth very much to outweigh the supposed benefits from redistribution. The high rates of tax are political instruments and it would be a political action to abolish the progressive taxes. But as the Royal Commission on Taxation pointed out in their Final Report (paragraph 554):

It is always possible to label as discriminatory a process which merely aims at restoring uniformity through the removal of a discrimination imposed at some earlier date.

It is sometimes argued that a progressive income tax stimulates economic activity among higher-income groups, on the grounds that high earners will work furiously to maintain their level of after-tax incomes despite very high taxes. This argument contradicts diminishing marginal utility theories, according to which the last bit of income is worth very little to high earners (which is supposed to justify confiscating it). To increase productivity enormously, perhaps everyone's marginal tax rate should at once be increased to 90 per cent (except, of course, those whose marginal tax rate already exceeds 90 per cent).

Disadvantages

Progressive taxes raise very little revenue. Out of total tax revenue of £14,169 in the 1967–68 Budget (about 44 per cent of total national income), progressive taxes raise only £555 million (surtax £250 million, estate duty £300 million, and capital gains tax £5 million) – less than 4 per cent of the total.

In their second report (paragraph 148) the Royal Commission said:

We are bound to assume that the present tax rates are related to a present necessity of raising a given sum of money from the direct taxation of income. With that assumption made, there is little except general reflections that can be brought to bear upon the problem of the very high rates of taxation upon the higher incomes.

The members of the Royal Commission had been studying the system of taxing profits and income for over three years without noticing that, despite top rates which the Royal Commission itself described as 'probably higher in this country than in any other', surtax raises hardly any revenue. The entire revenue from surtax could be raised by an extra 6d on the standard rate of income tax, though abolishing surtax would save so much wasted time and effort and restore so much incentive that total tax revenue would probably increase as a result, even without any change in income tax rates.

Progressive taxation reaches such heights that it positively encourages tax avoidance and evasion.

Someone paying tax at the top rate in 1965–66, at a marginal rate of 96½ per cent, would get as much economic benefit from avoiding payment of £37 10s in tax as from earning another £1,000 of taxable income. Such high rates are a strong disincentive for the very people it would be most sensible not to discourage – those who can earn most and whose work in a free economy is therefore worth most. An extra £20 a week in 1965–66 to a top-rate taxpayer was worth a mere 14s 5d net. In an eight-hour day he was working for himself for only eighteen minutes; the rest of the day he was working for the State.

Most people do not work only for financial reward, but if their net earnings after tax hardly cover their out-of-pocket living expenses, let alone provide a reasonably comfortable independent existence, how can the country's most valuable people be expected to work happily and well? In nearly every case it will pay high-rate taxpayers to do as much as possible for themselves rather than pay others, out of after-tax income, for what goods and services they consume. Rather than do the work at which they are best, rational captains of industry should clean their own shoes and leaders in the professions should decorate their own houses. This may be fine relaxation, but when it becomes economic necessity it does seem a waste of human skills. Specialization has been one of the main reasons for economic progress. A proportional tax would have no such effect, for the top rate (the *only* rate) would be nothing like so high.

Under a progressive tax system it matters whether a person gets income in one year or another if his marginal tax rate is liable to change. This problem of bunching, and the consequent importance of allocation between years, causes a great deal of trouble for officials, advisers and taxpayers, and unduly complicates the laws as well as being unfair to those whose income accumulates unevenly. For example, the 'golden handshake' provisions – which in a proportional income tax system would be totally unnecessary – are so complicated that *Simon's Income Tax* takes *ten pages* to work through a single example.

Surtax uncertainty

Not only are accounting problems complicated, but surtax payers cannot tell what their marginal tax rate will be until the end of the tax year when they do not know in advance what their income will be. (Surtax rates are presently fixed in arrear in most years, which is a further uncertainty, quite apart from retrospective surcharges.) To uncertainty about the success of a new venture, surtax payers must add uncertainty about the rate of tax they will have to pay. This must discourage many from starting new ventures at all, when no rational economic assessment of risk is possible.

Surtax also complicates the system of company taxation. With a proportional income tax, companies and partnerships and individuals could all be taxed at the same rate, which would be vastly simpler and

avoid unnecessary and artificial discrimination in treatment. And company dividends would not be penalized by double taxation, thus encouraging the free movement of capital to the most profitable investment opportunities.

The very high rates to which progressive taxes rise lead to elaborate anti-avoidance regulations, some of which, as the Royal Commission said (paragraph 1086), 'rank among the least intelligible portions of English prose'. And so obsessed are Governments with countering avoidance that tax regulations now are often retrospective, in blatant disregard of the principles of

the rule of law. A proportional tax would be much simpler, easier to understand, and easier to administer.

Conclusions

Chart 1 shows how taxes on income have increased over the past sixty years. From a horizontal line across the chart in 1905 representing a proportional income tax, we have now nearly reached the vertical line the chart would show if all incomes above a certain level were confiscated completely and those below that level not taxed at all. The asterisk at the foot of the chart shows how much income was taken in tax in 1905 at an income level of £10,000 net (in 1965 £s), while the asterisk at the top of the chart shows how much income was left after tax in 1965 at the same income level.

Only in 1965 is there much difference between average tax rates on 'earned' and 'unearned' incomes, and for earlier years only the rates for 'earned' incomes are shown. The *x*-axis shows *net* incomes, i.e. incomes after tax; although tax rates are expressed in terms of before-tax incomes, to the taxpayer it is after-tax incomes that count. And the rates shown are average rates, not marginal rates, which give a better picture of the overall tax burden. Marginal tax rates are probably more relevant as disincentives than average rates. The chart shows constant 1965 £s along the *x*-axis; actual money incomes have been converted by using the retail price index as an inverse measure of currency debasement.

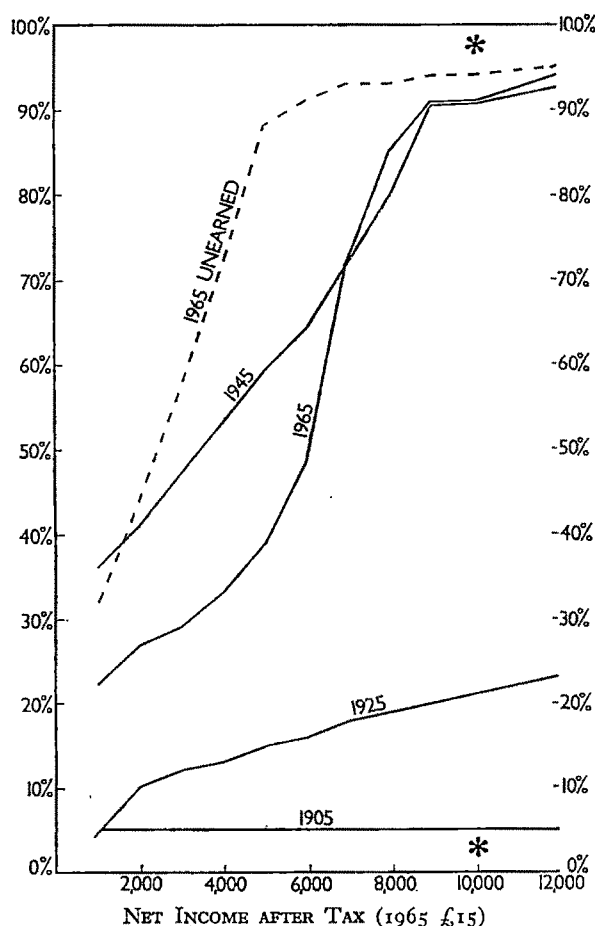
Chart 2 shows how taxes on estates at death have increased since 1905, and especially since 1945. Most arguments against surtax also apply to estate duty, the other main progressive tax. There are good reasons for abolishing estate duty completely as well as abolishing surtax. Inheritance is a perfectly respectable human institution which encourages capital accumulation, allows continuity in human affairs, permits financial independence, and is essential for individual freedom. The State has no more right to tax transfers of property on death than it has to tax them at any other time.

If, despite its minute yield, estate duty is not abolished, at least a single proportional rate of tax should replace the present twenty-four different progressive estate duty rates. (With the present progressive system, for nearly half the entire range of estates up to £1½ million the actual marginal rate of estate duty is 100 per cent, under what is called marginal 'relief'.) No tax on the first £20,000, and 33½ per cent on estates above £20,000, would raise about half the present estate duty yield, reducing total tax revenue by a mere £150 million a year. This is about one-thirtieth of the £4,500 million *increase* in annual tax revenue over the past three years.

Charts 1 and 2 show how much the progressive taxes have increased this century; but although they must nearly have reached their practical limit, progressive taxes still raise an average of only £10 per head per year. This is negligible compared with the increase in total taxes this century. From 1900 to 1967

Chart 1

AVERAGE TAX RATES ON INCOME: 1905 TO 1965



Figures for Chart 1:

Net income after tax (1965 £s)	1925/26 per cent	1945/46 per cent	1965/66 per cent	1965/66 'unearned' per cent
1,000	4	36	22	32
2,000	10	41	27	44
3,000	12	47	29	57
4,000	13	53	33	72
5,000	15	59	39	88
6,000	16	64	49	91
7,000	18	72	72	93
8,000	19	80	85	93
9,000	20	91	91	94
10,000	21	91	91	94
12,000	23	94	93	95

NOTES:

- (1) 1905/06 rate throughout - 5 per cent.
- (2) All rates for 'earned' income except 1965-66 as noted.

average annual income (in constant 1967 £s) has risen from £325 to £550 per head; and average taxes from £30 to £255 per head. In other words, the State has confiscated in extra taxes the *entire* £225 increase in average income per head between 1900 and 1967.

Little need be said about the capital gains tax. The only argument for introducing it was 'to add fairness to our tax system'. The tax applies to some assets but not to others, to some capital gains but not to others, and to different taxpayers at different rates. Business reinvestments are exempt but not personal reinvestments; short-term gains increase taxable capacity but short-term losses apparently do not reduce it, and most of the revenue from the tax will come from fictitious gains created by currency debasement. How important a part is played by currency debasement is shown by the fact that *The Financial Times* Industrial Ordinary Share Index, when adjusted to allow for currency debasement, is lower today than it was in 1936. It would be impossible to invent a tax which more completely fails to satisfy even the Inland Revenue criteria mentioned in the opening paragraph. The capital gains tax should be abolished.

Once accept the principle of progressive taxation and there is no logical point at which to stop increasing the rates. Britain now suffers terribly heavy rates of tax,

continually increased even further by currency debasement,¹ which are not needed to raise revenue, discriminate unfairly against a minority of taxpayers, hold back economic growth, encourage tax avoidance and evasion, create most of the complications in the tax system, which most of the original advocates of progressive taxation never remotely anticipated or wanted, and which most people still do not realize they have now got. The solution is to abolish progressive taxes. Why not?

Figures for Chart 2:

Net estates after tax (1965 £s)	1905 per cent	1925 per cent	1945 per cent	1965 per cent
20,000	3	4	4	15
40,000	3	6	10	40
60,000	3	9	13	50
80,000	4	10	16	55
100,000	4	12	21	60
120,000	4	14	22	60
140,000	4	15	25	65
160,000	4½	16	25	65
180,000	4½	17	26	70
200,000	4½	18	29	70

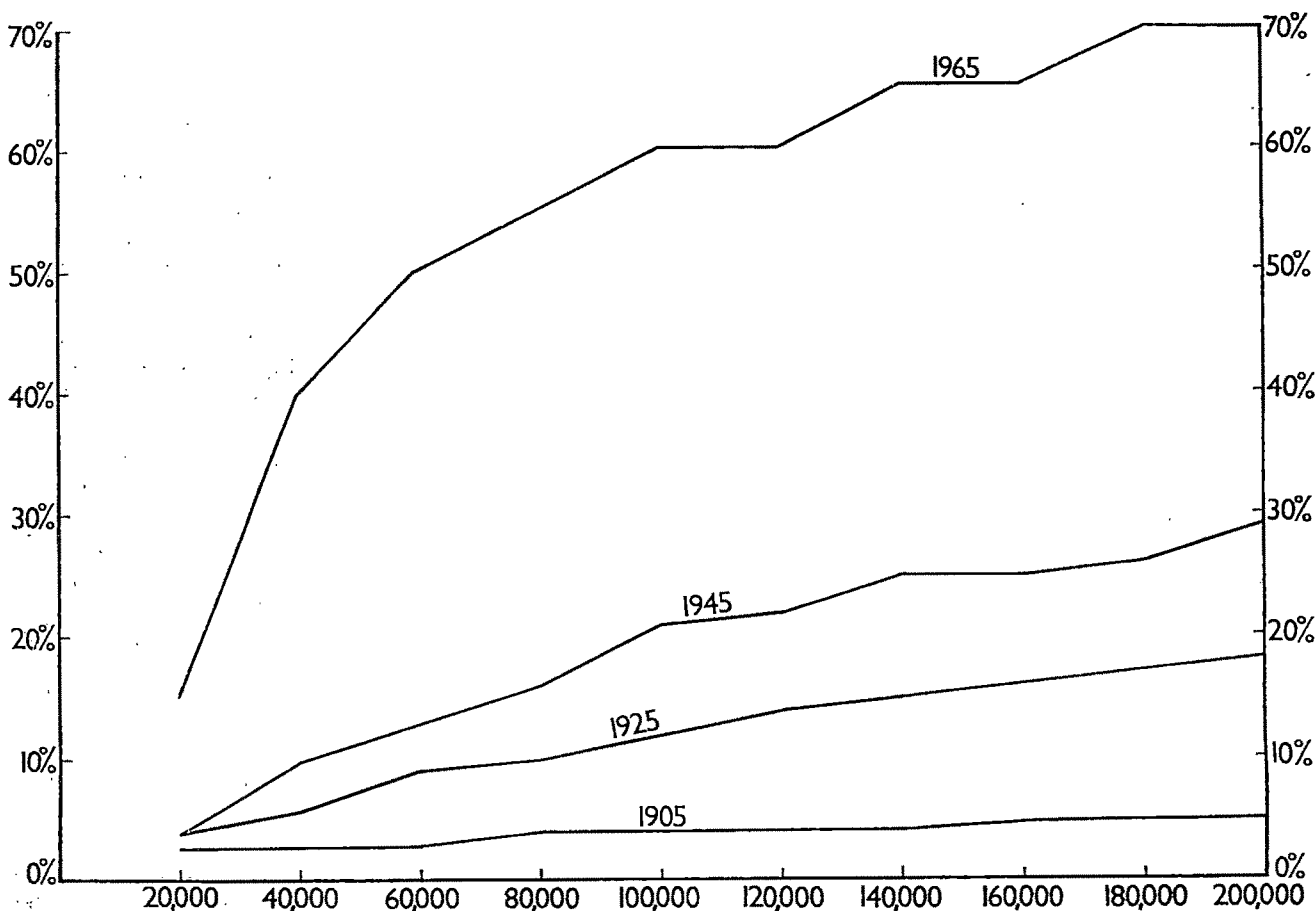
NOTE:

1945 rates rounded to nearest per cent point.

¹ See 'Currency Debasement and Taxation', by D. R. Myddelton, *The Accountant*, July 1st, 1967.

Chart 2

ESTATE DUTY RATES: 1905 TO 1965



Investment for the Surtax Payer

by JOHN T. NEWTH, A.C.A., A.T.I.I.

RECENT legislation and the situation on the Stock Exchange has produced an entirely new set of problems for the investor, particularly if he is a surtax payer.

Whereas in the past decade capital gains have gone untaxed and there has been a considerable rise in share prices, the position today is vastly changed. Share prices generally are reduced compared with the value as at April 6th, 1965 (though with some notable exceptions) and any capital gains are taxed at 30 per cent – or a lower rate in the case of a person of limited income.

To the surtax payer this means a radical change in thought and policy regarding investment and the following may be a guide in such situations. It is assumed that the person concerned pays surtax at a top rate of 6s 6d in the £, at present, and that he has a fairly substantial estate which makes his potential estate duty problem of some interest.

Normal investment

1. On a normal investment on the Stock Exchange, or elsewhere, at 6 per cent, the following would be the position on a £10,000 investment:

	£	s	£	s
Yield at (say) 6 per cent ..			600	0
Less Income tax at 8s 3d ..	247	10		
Surtax at 6s 6d ..	195	0		
			442	10
Net income			£157	10

The net yearly return is therefore only just over 1.5 per cent, with the possibility of capital gain or loss on changes in investment.

Fixed interest stocks etc.

2. Investments in fixed interest stocks fare little better and the present market rate of between 6 and 7 per cent on county council or local authority loans and deposits with finance companies produce a net income, after tax, of between 1.5 and 1.8 per cent. Much the same result is apparent from building society deposits which, although advertised at 4½ per cent net, have of course to be 'grossed up' for surtax purposes, which means that surtax will be charged on about 7 per cent. The net result is accordingly exactly the same as on an investment for 7 per cent gross interest as regards the surtax payer.

Bank deposit interest fares even worse and taking

4½–5 per cent as the possible interest rate, the net yield after income tax and surtax would be just over 1 per cent. Investment and unit trust units and some fixed interest Stock Exchange securities combine a high yield with the possibility of a capital gain, and from the income point of view the result of a net yield of between 7 and 8 per cent would be as stated. However, except in the case of dated fixed interest stocks, the capital gain is, of course, speculative.

Investment for capital gains

3. An investment for capital gain as a principle would only attract tax at the highest rate of 30 per cent and could therefore well be an attractive proposition for surtax payers. However, it is impossible to establish what the capital gain will be on a particular investment except on a dated fixed interest stock. In their present state, equities are not attractive for this purpose but the past history of leading industrial shares and the unit and investment trusts have shown that capital gains can arise in an affluent society. This may well be a hedge against inflation and devaluation for the surtax payer, as well as a lucrative source of reasonably taxed income.

Medium dated fixed interest stocks

4. An investment in a medium dated fixed interest stock combines the dual purpose of income and capital and the result is a surprising increase in the net income for the payer of surtax at 6s 6d in the £. Thus in the case of a purchase of (say) £10,000 3 per cent Savings Bonds 1965–75, the gross redemption yield is about £7 1s at the time of writing, but taking into account income tax and surtax payable totalling 14s 9d in the £ on the interest part of the yield at £3 19s and capital gains tax at 30 per cent on the capital gain over the period, the net yield comes out at about 3½ per cent which is almost twice the figure mentioned in the previous investments in 1, 2 and 3 above.

National Savings

5. It is perhaps surprising to mention National Savings Certificates when dealing with the subject of investment for surtax payers, as in recent years Savings Certificates have not been as popular as they might. However, their great attraction of being tax free should not be lost upon the surtax payer, and provided he is willing to leave his money in for at least seven years, there is a net yield of 4.6 per cent to be gained.

Life assurance

6. In the midst of the restrictions and difficulties of new legislation, life assurance has remained relatively unscathed and the following are very real advantages: (a) policy-holders are not liable to tax on the proceeds of policies and these include 'with profits' policies; (b) income tax relief (but not surtax) is still claimable at 8s 3d in the £, on two-fifths of the yearly premiums payable, provided these do not exceed 7 per cent of the sum assured and one-sixth of the claimant's total income; (c) in the case of annuities, between 50 and 70 per cent is usually regarded as tax free and a return of capital; this capital part of the annuity does not attract capital gains tax; (d) policies can still be written under the Married Women's Property Act 1882, or as a trust, and an investment scheme can therefore incorporate estate duty planning as well as the primary purpose of a reasonable net investment yield.

Having said this, it must be emphasized that insurance companies themselves do not altogether escape the net of capital gains tax, although they are relatively favourably treated, and future bonuses declared and rates offered are bound to reflect this fact. However, the following schemes, with approximate net yields, emphasizing life assurance and annuities, may be of interest:

Equity-linked bonds

(i) Fixed interest or equity-linked surtax bonds, as widely advertised by some of the smaller insurance companies, on which a tax-free yield of between 4.6 and 6 per cent is expected. The investor can purchase bonds in multiples of £100 up to £5,000 under this scheme and obtain immediate life cover, as well as the certainty of a return of, say, £125 at least in ten years' time. There is also the addition of life assurance relief claimable on the bond purchase money in the year of purchase.

Single-premium life policies

(ii) The one-premium life assurance policy, with profits, on which a net yield of about 4.4 per cent is estimated. The disadvantage here is that some life assurance relief for income tax purposes may be lost because one premium only is paid and this may exceed the allowable limits of 7 per cent of the capital sum, or one-sixth of the claimant's statutory total income in the income tax year in question.

Ten-year endowment assurance

(iii) A ten-year endowment assurance with profits. The writer has seen a quotation for a whole-life of 35, where the sum assured was £3,000 payable in thirty annual instalments of £100. Assuming that the option to take the cash and not the instalment was taken after ten years, the actual cash payment is £2,686 16s for a net cost of £1,807 10s (after income tax relief), the net yield is therefore 7 per cent per annum.

Educational life assurance

(iv) A scheme for the payment of school fees by an educational life assurance policy on which the insurance company will advance loans after payment of one or two premiums. A recent case has shown that school fees of £7,500 together with whole-life assurance cover of £10,000 for fifteen years, could be provided for the payment of a net sum, after tax, of £3,200.

Temporary annuities

(v) A temporary annuity, combined with endowment assurance for a period of fifteen years. Assuming that the purchase price of the annuity was £10,000 and the sum assured was £8,000, the quotation being for a male aged 43½, the position would be as follows:

Annuity £1,154 15s per annum (£738 tax free).

Life assurance premium £572 per annum (tax relief at 8s 3d in the £ would be claimable).

The life assurance policy would be 'with profits' and the insurance company estimates that in the term of fifteen years the sum assured with bonuses would total £11,969. The writer has calculated that the result of this scheme would be a net yield per annum over the period of about 5 per cent. In addition, the scheme can be combined with estate duty planning so that at the end of the fifteen years the proceeds of the policy (or, say, two policies) can be written under the provisions of the Married Women's Property Act or as a trust in favour of the proposer's two children, so that disposal of part of his estate would be affected by this method. However, strictly from an investment point of view, the essential is that the proceeds of the policy money should return to the investor; nevertheless the estate duty aspect could be borne in mind.

Conclusion

Finally, in case any readers should underestimate the value of net yield for the payer of surtax at 6s 6d in the £, consider the following equivalents of the net yield:

- (i) If the net yield is 4 per cent, the equivalent gross yield before income tax and surtax is 15 per cent;
- (ii) Similarly, net yield 5 per cent – gross yield 19 per cent;
- (iii) Similarly, net yield 6 per cent – gross yield 23 per cent;
- (iv) Similarly, net yield 7 per cent – gross yield 27 per cent.

The boom of past years on the Stock Exchange has produced some exciting situations for the investor, great and small. Such days may now have ended and a more realistic and complicated course may follow in the late sixties and early seventies. One can only hope that however restrictive and difficult, legislation will not render investment impossible by reason of the complexities of taxation and finance.

Problems of Under-insurance

by AN INSURANCE CORRESPONDENT

AS insurance policies covering fire and special perils are renewed, they are having incorporated in them the *pro rata* condition of average. The practical effect of this is that if a claim arises under the policy, the policy-holder will be able to recover only that proportion of his loss which the amount of his policy bears to the total value of the property covered at the time of the loss. Where there are several items of property insured, average will be applied separately to each item, and in consequence under-insurance may affect one or more such items.

In other words if there is under-insurance and the clause is in operation, any claim will be reduced in the same proportion as the under-insurance. This is not as unfair as may appear at first glance since almost invariably the premiums for the classes of business where average is being applied are calculated on the basis of the insured value.

Realistic values

There is no doubt that this is one of the strongest weapons which insurers have to force up values to realistic levels. In the past exhortations to increase values have had little effect, and although the average clause has been applied in certain cases (especially where it appeared that there was a high degree of under-insurance), this has been by no means universal. Now, however, the whole insurance market – tariff offices, non-tariff companies and underwriters at Lloyd's – has joined forces to apply average. It will not be possible to avoid the imposition of this clause by moving to other insurers.

Insurers consider that this important move on their part will affect the majority of concerns. Their view is that while, in the past, most large organizations have tried to insure fully (although they admit that probably quite a number have consciously under-insured to save premium, in the belief that a total loss at any one place was unlikely), under-insurance is not uncommon among smaller firms, private traders and shopkeepers. Even so they take the generous line by saying that by no means is this always deliberate; in a great many cases it results from insured values, fixed several years ago, not being brought up to date.

Some professional valuers feel that the situation may be even more serious than the insurers are prepared to admit. For instance one firm of valuers carried out a survey of the position over a twelve-month period and discovered that only one firm in twenty-four was adequately covered. It was found that the

average cover was only 61 per cent of the true value.

The adoption of universal average was therefore a logical step on the part of insurers. Its use was already fairly common in some countries overseas; a few years ago all property in the Irish Republic became subject to average, and in Belfast insurances on most property within five miles of the City Hall have been subject to average for a considerable time. The principle of average is by no means new. It was mentioned in the minutes of the Fire Committee held by the Royal Exchange Assurance in January 1722.

In 1828, Parliament passed an Act which provided that with minor exceptions all policies which covered a plurality of risks in one amount had to contain a form of average. This was because some insurers were evading the stamp duty levied on the sums insured, by issuing policies on a plurality of risks at sums insured considerably below their total value provided, of course the correct premium was received. Stamp duty based on sums insured was abolished in 1869 but although the Act in question was repealed, insurers continued to apply average to a plurality of risks right up to the recent introduction of universal average.

Basically, average is being applied to policies covering property against fire, explosion, aircraft, earthquake, riot and civil commotion, malicious damage, storm, flood and other water damage, and the insurers' attitude is that this will ensure equitable treatment between those who insure for the full value of their property and those who are under-insured. Incidentally, in the case of insurances subject to long-term agreements which do not permit adjustment of terms during currency, the average clause will be applied at the first renewal on or after the expiry of the period of the agreement current at July 1st, 1967.

Problems and anomalies

Although this may all seem to be quite straightforward and logical, there are quite a number of problems and anomalies connected with this decision to impose average. In the first place, insurers have announced that among the exceptions will be insurance on a building used solely for private residential purposes, household goods and personal effects (1) therein, or (2) privately-owned and insured in the name of the owner in a building occupied for trade purposes.

It is not, however, accurate to say that all private houses are exempt. For some considerable time, underwriters at Lloyd's have been including the average clause in their policies for private householders

(for which, incidentally, they charge a lower premium than most insurance companies) and they are continuing to do so.

The official answer as to why private houses, generally, are not included is that for many years, insurers have been trying to educate householders on the dangers of under-insurance, culminating in a television advertising series by the British Insurance Association, and now 'the position is being closely watched' they say. Certainly it would be logical for average to be applied, although it might meet with opposition from the building societies – from whom the insurance companies obtain a very large proportion of this class of business.

So for the moment, at least, it looks as though the majority of householders' policies will remain free from average. It should not, however, be forgotten in this connection that a householder cannot under-insure with impunity, for in most cases insurers have a safeguard to protect themselves in the event of under-insurance. Almost invariably, when a proposal form is signed for a householder's policy, a declaration is made that the sum to be insured represents the full value of the property at risk. Although this declaration is not physically incorporated in the policy document, it becomes part of the contract.

Effect of declaration

The effect of this declaration is that insurers have the right to void the policy altogether where there is under-insurance. But feeling this was a somewhat drastic step, some insurers in the past tried to take the middle course, by applying average. A judge has ruled, however, that in such circumstances the insurers cannot compromise by applying average. They therefore have two courses open to them – either to repudiate the claim entirely or to pay it in full.

Church property is also exempt from average, the explanation being that this is very much a specialist market and there are special circumstances in connection with it which have to be met. In practice, since it is so specialized, this business is handled by comparatively few insurance companies and no doubt they have their ways and means of ensuring that they receive the premium to which they feel they are entitled.

Buildings in the course of erection are unlikely to be made subject to average, for the simple reason that it is customary for them to be insured on the full contract price with the premium taking into account the fact that the increase in value is gradual. Thus, in this case, there should be relatively little under-insurance.

Insurers suggest that in the case of buildings of historic value, it is advisable to arrange a preliminary discussion in order to arrive at some measure of understanding before any damage occurs. Almost inevitably, however, problems are encountered in the case of old buildings of massive construction where the question of historic interest does not arise. Depending on the degree of damage, for example, it is quite likely that

buildings of this type would not be rebuilt in the same style. Almost certainly, in fact, where convenient it would not only be more satisfactory to replace old buildings of this type with modern buildings which would be cheaper to erect. The question therefore arises – What value should be insured in such cases?

At first, insurers were inclined to take the view that to comply with the average clause the full cost of rebuilding should be insured – even though this amount might not be incurred since a cheaper alternative would be adopted. Now, however, it is likely that if they are consulted in advance they will agree that the sum to be insured should be the highest amount which could be incurred, whether there is a partial or total loss. In this connection it should be borne in mind that if only half an old building is destroyed, it may very well have to be rebuilt in the old form.

In the main, insurers suggest that property should be insured for the current cost of rebuilding, including the fees of architects which would be incurred in connection with the rebuilding and the cost of removing debris from the site before rebuilding can begin.

This insured value, therefore, has little or no relationship with the market value. In practice in a great many cases it may be lower than the market value, since the latter includes the value of the site which cannot be destroyed. On the other hand there are occasions when the reverse may be true. Quite often the very features which depress the market value – such as remote location, poor access, bad lay-out, or a site of varying levels – may have the effect of raising the cost of rebuilding.

Plant and machinery need to be carefully scheduled and described. The inventory should show current values, including all equipment, delivery and installation charges, foundations, piping and cabling. If consultants are likely to be employed on the reinstatement of machinery, an allowance should be made for their fees. Here again the expense of debris removal should be included.

It is, of course, of the utmost importance that valuations should always be kept up to date. If they are the average clause should not, except in particular circumstances, be any great inconvenience. If, however, an adjuster retained by the insurers feels that there has been under-insurance, it may be necessary to obtain a professional valuation after a loss.

Reinstatement clause

Many valuers recommend that the insurance of plant and machinery should contain a reinstatement clause – i.e. 'new lamps for old' – on the grounds that when a company has sustained a loss, the directors would not wish to install second-hand or out-moded plant, but take in new plant and return to full production as soon as possible. It is, moreover, particularly important to have the reinstatement clause in policies where the extra financing above the amount recoverable from the insurance company (on a current value basis)

might be difficult to arrange. Whereas an allowance would normally be made for age, general depreciation and wear and tear, these factors should not be taken into account when values are being assessed for a policy which will contain a reinstatement clause.

In the main, therefore, the introduction of average into policies by insurers is a sensible step. The onus is always on the insured to insure for the correct value and although willing to discuss the subject in general terms, insurers make the point that they are not professional valuers and thus will not express an opinion as to the amount for which they consider specific property should be insured.

Although it is the *pro rata* condition of average

which will apply in most instances, there are occasions when the special condition of average will be adopted. A particular case is farm produce, where both quantity and price are subject to exceptional fluctuations throughout the year.

The special condition allows some latitude on the question of average, requiring the policy to be effected for at least 75 per cent of the total value at risk at the time of the loss. In other words, unless the under-insurance exceeds 25 per cent of the value at the time of the loss, average is not applied. If, however, the under-insurance exceeds the 25 per cent margin, full *pro rata* average is applied as though the *pro rata* condition had been operative.

Finance and Commerce

Pye again

MUCH has happened since the accounts of Pye of Cambridge Ltd for the year to March 1966 were reprinted in this column on November 26th last year. That was the week following a bitter annual meeting and shortly before an equally bitter take-over battle which resulted in Pye of Cambridge becoming, eventually, a subsidiary of Pye Holdings Ltd. The holdings company is a subsidiary of Philips Electronic and Associated Industries Ltd which itself is a subsidiary of N.V. Philips Gloeilampenfabrieken of Eindhoven.

Public interest is now through Pye Holdings Ltd in which former Pye of Cambridge shareholders hold share options. Of the Pye of Cambridge position, Mr F. B. Duncan, the chairman, said a year ago: 'one of the most serious deficiencies I found when joining the board was the absence of adequate group financial control. Steps have been taken to put this right, but it is inevitable that it will take some time to overtake neglect in this field.'

The accounts for the year to March 31st, 1967, from which this week's reprint is taken, must be read against the background of that statement. They show that the steps taken have revealed accounting shortcomings which were not fully realized or disclosed a year ago. Comment on the accounts and on the present position comes from Mr Peter Thorneycroft, former Conservative Chancellor of the Exchequer, who is chairman of Pye Holdings Ltd and deputy chairman of Pye of Cambridge.

Investigation

Investigation into the affairs of Pye, Mr Thorneycroft says, has disclosed exceptional losses of £2,186,000. Of these losses, £1,475,000 are attributable to Pye's telecommunications activities. 'In the opinion of the board these losses have arisen to a substantial extent in respect of over-valuation of current assets over an unknown period. There are insufficient records available to enable the board to determine with any degree of accuracy either the period during which these losses have accumulated or the reasons for the over-valuation.'

The amount involved, Mr Thorneycroft adds, has been influenced by a change in the basis of valuation of certain assets. In addition, a provision of £350,000 has been made against future losses likely to arise out of reorganization in this field.

Negotiations for the sale of the Gibbard retail group and of the subsidiary and associated retail companies in the Uniprop Group to associates of Philips Electronic and Associated Industries have reached an advanced stage. Exceptional losses of £661,000 have been incurred in relation to the Uniprop Group and consist of £261,000 in respect of amounts due from associated companies and a provision of £400,000 for estimated losses which will be incurred on the sale. Note 1 to the accounts shows that no further write-off is considered necessary in Gibbard.

Joint auditors

The three joint auditors – Cooper Brothers & Co, Howard, Howes & Co and Smallfield, Fitzhugh, Tillett & Co – draw attention in their report to the notes on the accounts 'particularly Notes 6 and 7' and state that the accounts in conjunction with the notes give 'a true and fair view'. The notes – Note 20 for example – show the extent of the investigation made into the position of the company and the changes that have been put into operation.

The reference in Note 6 to the management's review of stock and work in progress and the value of assets in the light of the group's trading position, is, of course, the key to the whole position and it is here that the bulk of the latest losses developed. Telecommunications which appeared in 1965-66 to be the main profit earner of the group, became the main trouble spot in the year under review. Inclusion in the reprint of the figures under 'Financial information' shows the position of the integral

parts of the earnings in relation to profits, turnover and capital employed.

Commenting on the telecommunications activities, Mr Thorneycroft states that 'urgent steps have now been taken to make the accounting systems better suited to the requirements of this activity, and also to increase the efficiency of the activity by reorganization'. This may result initially in further losses. He stresses, however, that Pye Telecommunications has built up an important market position for itself and operations are 'regarded as most important for the future'.

Recovery hopes

For the group as a whole, a managing director, with overall executive responsibilities, and a financial director have been appointed and strengthened management plus the finance and assistance available through the Philips organization should lead to recovery and to new expansion. Accounts will be made up for the period of nine months to December 31st next which will consolidate the position of Pye Holdings Ltd with that of Pye of Cambridge. Mr Thorneycroft says that on the basis of present information the board is confident that the accounts of Pye for this nine months' period will disclose a substantial improvement.

Option holders in Pye Holdings, however, are reminded that an amount of £918,750, before tax, will be payable to Philips Industries in respect of interest for the nine months' period on the loan of £17.5 million. Improvement in Pye's position is 'likely to be a matter of gradual and accelerating change'.

The board expects to be in a position to report again to option holders in June 1968 on the nine months' period. Philips Industries invested £30 million in Pye Holdings for the purposes of acquiring Pye of Cambridge, including the £17½ million loan on which interest is 7 per cent and will fall due to be paid in the current period, but hope that the Pye Holdings equity will eventually get into the dividend list is reflected in the price of 3s 6d now ruling for options on Pye Holdings 5s shares on the stock-market.

PYE OF CAMBRIDGE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st March, 1967

Notes	Expressed in £'000's	
	1967	1966
2 Trading profit	713	1,221
3 Income from trade investments	147	481
	<u>860</u>	<u>1,702</u>
Deduct:		
Long term loan interest	541	562
Bank interest and other finance charges	1,738	1,551
	<u>2,279</u>	<u>2,113</u>
Loss before taxation	(1,419)	(411)
4 Taxation	(440)	(462)
Loss after taxation	(1,859)	(873)
Minority interest in results of subsidiaries	(357)	(366)
5 Loss for the year	(2,216)	(1,239)
6 Exceptional losses	(2,186)	(1,189)
7 Provision for losses on reorganisation	(350)	(1,500)
Depreciation provision released	—	586
Taxation provision released	817	86
Adjustments including those arising from changes in the group's interest in subsidiaries	(5)	(115)
8 Capital Reserve transferred	1,500	—
Profit unappropriated at beginning of year	4,616	8,082
	<u>2,176</u>	<u>4,711</u>
Deduct:		
Dividends on preference shares (net)	95	95
Profit unappropriated at end of year	<u>2,081</u>	<u>4,616</u>

PYE OF CAMBRIDGE LIMITED

CONSOLIDATED BALANCE SHEET

at 31st March, 1967

Notes	Expressed in £'000's	
	1967	1966
9 Current assets		
Stocks	26,311	30,065
Hire purchase and other term debtors	2,233	3,986
Debtors and prepayments	20,701	21,433
Amounts due from fellow subsidiaries	88	—
Taxation recoverable	1,437	—
Bank balances and cash	1,721	410
	<u>52,491</u>	<u>55,894</u>
Deduct:		
Current liabilities and provisions		
Bank overdrafts (secured £771,000 (1966 £449,000))	11,796	10,862
Short term loans	8,684	10,016
Creditors and accrued liabilities	15,006	17,632
Amounts due to fellow subsidiaries	402	—
Taxation	1,124	262
10 Provision for losses on reorganisation	819	1,500
	<u>37,831</u>	<u>40,272</u>
Net current assets	14,660	15,622
11 Fixed assets	22,787	23,716
12 Trade investments	1,986	3,945
	<u>39,433</u>	<u>43,283</u>
Deduct:		
13 Long term loans	8,573	8,754
Net tangible assets	30,860	34,529
Goodwill arising on consolidation, less amounts written off	5,374	5,583
	<u>36,234</u>	<u>40,112</u>
Capital employed		
5½ per cent. cumulative preference shares	2,936	2,936
Ordinary shareholders' funds		
14 Issued share capital	12,432	12,429
15 Share premium account	8,508	8,502
16 Consolidated capital reserve	4,840	6,392
Consolidated revenue reserves	2,081	4,616
	<u>27,861</u>	<u>31,939</u>
Minority interests in subsidiaries	5,437	5,237
F. B. DUNCAN G. E. P. THORNEYCROFT	} Directors	
	<u>36,234</u>	<u>40,112</u>

BALANCE SHEET

at 31st March, 1967

Notes	Expressed in £'000's	
	1967	1966
Current assets		
Debtors	6	10
Taxation recoverable	65	359
Bank balances and cash	—	44
	<u>71</u>	<u>413</u>
Deduct:		
Current liabilities and provisions		
Short term loan	3,500	—
Bank overdraft	588	500
Creditors and accrued liabilities	906	220
Provision for losses on reorganisation	100	135
	<u>5,094</u>	<u>855</u>
Net Current liabilities	(5,023)	(442)
17 Interest in subsidiaries	31,252	27,896
12 Trade investments	136	98
	<u>26,365</u>	<u>27,552</u>
Deduct:		
13 6½ per cent. unsecured loan stock 1982/87	239	249
Net tangible assets	26,126	27,303
Capital employed		
5½ per cent. cumulative preference shares	2,936	2,936
Ordinary shareholders' funds		
14 Issued share capital	12,432	12,429
15 Share premium account	8,508	8,502
16 Capital reserve	1,767	1,982
Revenue reserves	483	1,454
	<u>23,190</u>	<u>24,367</u>
F. B. DUNCAN G. E. P. THORNEYCROFT	} Directors	
	<u>26,126</u>	<u>27,303</u>

PYE OF CAMBRIDGE LIMITED

NOTES ON THE ACCOUNTS

(1) Gibbard Television (1966) Limited

The accounts of this subsidiary which was acquired during the year are not yet available. This company has not been included in the consolidated accounts, as the Directors consider that to do so would involve undue delay.

Full provision against losses sustained in this venture, including the cost of the shares, was made in the accounts at 31st March, 1966 and on the information at present available no additional provision is considered to be required.

Negotiations are in progress for the disposal of this business.

(2) Trading profit

	Expressed in £'000's 1967	1966
The trading profit is stated after charging:		
Depreciation	2,650	2,400
Auditors' remuneration, including £5,000 (1966 £2,100) for the parent company	105	81
Emoluments of the directors of the parent company comprising £1,244 (1966 £980) fees and £65,436 (1966 £74,788) for management	67	76
Payments to a former director	10	—
Compensation to former directors for loss of executive office	24	—

(3) Income from trade investments

The income from trade investments has been reduced due to the sale of certain investments.

(4) Taxation

Taxation based on the results of the year:	(66)	49
United Kingdom Taxation repayable less amounts charged	506	413
Overseas	440	462

(5) Loss for the year

The amount of the loss for the year taken up in the accounts of the parent company is £452,000 (1966 £790,000).

(6) Exceptional losses

The exceptional losses consist of:	1,475	
Provision against stocks and other assets of Pye Telecommunications Limited	661	
Losses and provision in Uniprop shops	50	
Provision for dilapidations on a leasehold property	—	1,189
Losses of prior years	—	2,186
		1,189

The management has carried out a review of the stock and work in progress and of the value of other assets, in the light of its assessment of the trading position of the Group. It has been considered necessary to provide substantial amounts against stock and work in progress at Pye Telecommunications Limited and to provide revised bases of accounting for certain other assets of that company. Following this examination £1,475,000 has been charged as an exceptional loss and £350,000 has been transferred to reorganisation provision. Part of the losses arise from a difference between the value of the stocks recorded in the company's books at 31st March, 1967 and the value shown by the detailed stock-taking records at that date. Owing to shortcomings in the company's recording of stocks it is not possible to say how much of the deficiency is attributable to prior years and this has been confirmed by the auditors of Pye Telecommunications Limited in their Report.

Losses of £261,000 have been provided in respect of amounts due from associated companies of Uniprop Limited. Negotiations for sale of the subsidiary and associated retail companies in the Uniprop Group have now reached an advanced stage and £400,000 has been provided in respect of the estimated losses which will be incurred on sale. This provision is included in the creditors and accrued liabilities in the consolidated balance sheet and the balance sheet of the Company.

The exceptional losses form part of the losses for taxation purposes referred to in Note 18.

(7) Provision for losses on reorganisation

As stated in Note 6 a provision of £350,000 has been made in respect of expenditure on reorganisation at Pye Telecommunications Limited. The provision at 1966 related to exceptional expenditure in the reorganisation of the radio, television and domestic appliance businesses.

(8) Capital Reserve transferred

The Capital Reserve transferred represents part of the profits realised on sale of trade investments by Pye Limited in previous years.

Notes on the Accounts continued

(9) Stocks

Stocks are included in the accounts at the lower of cost and net realisable value with the exception of certain contract work in progress £1,489,000 (1966 £1,159,000) which is valued at cost together with estimated net profits to date, less progress claims.

(10) Provision for losses on reorganisation

Provision for exceptional expenditure on the reorganisation of the radio, television and domestic appliance businesses at 1st April 1966

Deduct:	1,500,000
Amounts charged against the provision during the year	1,031,000
	469,000
Provision in respect of expenditure on reorganisation at Pye Telecommunications Limited	350,000
Balance at 31st March, 1967	£819,000

(11) Fixed Assets

	Total	Freehold land and buildings	Leasehold land and buildings	Expressed in £'000's	Plant and Equipment
Gross Values:					
Cost or valuation at beginning of year	34,546	13,066	660	13,452	7,368
Additions at cost	4,425	654	192	1,663	1,916
Removal of cost of items sold or scrapped	(5,376)	(261)	(127)	(1,757)	(3,231)
At end of year	33,595	13,459	725	13,358	6,053

Accumulated Depreciation

At beginning of year	10,830	89	161	7,848	2,732
Charged against profit	2,650	108	27	1,105	1,410
Removal of depreciation on items sold or scrapped	(2,672)	(1)	(32)	(843)	(1,796)
At end of year	10,808	196	156	8,110	2,346
Net book amount	22,787	13,263	569	5,248	3,707

The gross value of freehold land and buildings includes £43,000 in respect of properties revalued during the year ended 31st March, 1967. Investment grants have been deducted from the cost of the relevant assets and in these accounts the amount is not material.

(12) Trade investments

	Expressed in £'000's	1967	1966	GROUP
Unquoted trade investments:				
At amounts subsequently realised				—
At cost, less amounts written off				376
				376
Quoted trade investments:				
At cost less amounts written off		136	98	1,610
		136	98	1,986
Market value of quoted trade investments		134	98	1,492

At 3rd October, 1967 the market value of the quoted trade investments was £2,023,000.

PYE OF CAMBRIDGE LIMITED

Notes on the Accounts continued

- (18) **Taxation losses**
Losses for taxation purposes carried forward are estimated at £7,000,000. These losses will be available against future profits of the Companies concerned.
- | | Expressed in £'000's | 1966 |
|---------------------|----------------------|------|
| 1967 PARENT COMPANY | 1967 | 1966 |
| GROUP | 785 | 896 |
- (19) **Capital commitments**
Outstanding commitments for capital expenditure
- | | Expressed in £'000's | 1966 |
|---------------------|----------------------|------|
| 1967 PARENT COMPANY | 1967 | 1966 |
| GROUP | 785 | 896 |
- (20) **Contingent liabilities**
Contingent liabilities in respect of bank guarantees, bills discounted, investment grants and uncalled share capital in a trade investment
- | | Expressed in £'000's | 1966 |
|---------------------|----------------------|------|
| 1967 PARENT COMPANY | 1967 | 1966 |
| GROUP | 785 | 896 |
- A former Director of the Company has commenced proceedings for wrongful dismissal.
- A study has been made of the pension schemes in force in Pye Limited and certain defects have been noted. The position is complicated but has been thoroughly studied and the opinion of leading Counsel obtained. While one of the schemes has not in all respects been correctly administered, the number of employees who could be concerned is not large and the Board is satisfied that, based on Counsel's opinion, any resulting liability would not in any event be of material importance.
- (21) **Conversion rates**
Assets and liabilities stated in currency have been converted to sterling at rates of exchange current at 31st March, 1967.

REPORT OF THE AUDITORS to the Members of Pye of Cambridge Limited

The balance sheet of the company set out on page [690] is in agreement with the books which in our opinion have been properly kept. We have obtained the information and explanations we required. In our opinion the balance sheet, in conjunction with the notes on pages [691 to 692], complies with the Companies Act 1948 and gives a true and fair view of the state of affairs of the company.

The consolidated accounts set out on page [690] incorporate figures in respect of certain subsidiaries which have not been audited by us. In our opinion, based upon our examination and the reports of other auditors, the consolidated accounts in conjunction with the notes on pages [691 to 692], particularly notes 6 and 7, comply with the Companies Act 1948 and give, so far as concerns the members of the company, a true and fair view of the state of affairs and the results of the group.

COOPER BROTHERS & CO.

HOWARD, HOWES & CO.

SMALLFIELD, FITZHUGH, TILLET & CO.

Chartered Accountants.

London,

3rd November 1967.

FINANCIAL INFORMATION

The trading results for the year ended 31st March 1967 (before taxation, minority interests and exceptional losses) and the capital employed (excluding goodwill) on that date are subdivided into the principal activities of the Group in the statement shown below.

The capital employed in 1966 has been adjusted to take into account the re-allocation of certain freehold properties to Parent and other companies.

	Profits (Losses)	Expressed in £'000's	Capital employed
	1967	1966	1967
Telecommunications	(302)	1,610	16,000
Controls and Instrumentation	1,340	1,497	12,000
Radio and television	(982)	(2,152)	10,000
Domestic appliances	(33)	(274)	11,000
Shops	(249)	(348)	2,000
Australia and New Zealand	1,014	948	2,000
Unidare Limited	280	226	8,000
Parent and other companies	(555)	(206)	5,000
	713	1,221	73,000
Trade investments	147	481	58,000
Long term loans	(541)	(562)	2,000
Overdrafts and short term loans	(1,738)	(1,551)	(9,000)
	(1,419)	(411)	31,000
		73,000	35,000

- (13) **Long term loans**
Secured:
6 1/2 per cent. debenture stock 1976/81 } ranking
6 1/2 per cent. debenture stock 1980/85 } pari passu
Mortgage of properties
- | | Expressed in £'000's | 1966 |
|---------------------|----------------------|------|
| 1967 PARENT COMPANY | 1967 | 1966 |
| GROUP | 785 | 896 |
- Unsecured:
7 1/2 per cent. unsecured loan stock 1970/75
5 1/2 per cent. unsecured loan stock 1977/82 (since repaid)
6 1/2 per cent. unsecured loan stock 1982/87 (since repaid)
- | | Expressed in £'000's | 1966 |
|---------------------|----------------------|------|
| 1967 PARENT COMPANY | 1967 | 1966 |
| GROUP | 785 | 896 |
- Under the debenture sinking fund arrangements not less than £30,000 a year is being used in the purchase and surrender of stock. This annual amount increases by £36,000 a year in the year ending 31st March 1968.

(14) **Share capital**

Authorised:
3,000,000 5s. per cent. cumulative preference shares of £1 each
60,000,000 ordinary shares of 5s. each

	Expressed in £'000's	1966
1967 PARENT COMPANY	1967	1966
GROUP	785	896

Issued and fully paid:
2,935,853 5s. per cent. cumulative preference shares of £1 each
49,729,315 ordinary shares of 5s. each

	Expressed in £'000's	1966
1967 PARENT COMPANY	1967	1966
GROUP	785	896

There were outstanding at 31st March, 1967 options granted to senior executives to subscribe for 193,967 (1966 202,980) ordinary shares of 5s. each at prices varying between 12s. and 17s. 7d. each, exercisable at various dates to February 1969.

(15) **Share Premium account**

Total to 1st April 1966
Premium on conversion of loan stock

	Expressed in £'000's	1966
1967 PARENT COMPANY	1967	1966
GROUP	785	896

(16) **General capital reserve**

Total at 1st April 1966
Realised profits transferred to revenue reserves (see note 6)
Adjustment arising on acquisition and disposal of subsidiaries and amounts written off goodwill
Development grants received
Surplus arising on revaluation of freehold land and buildings
Surplus on disposal of trade investments and other assets

	Expressed in £'000's	1966
1967 PARENT COMPANY	1967	1966
GROUP	785	896

(17) **Interest in subsidiaries**

The interest in subsidiary companies comprises:
Shareholdings as valued 31st March 1963 or subsequent cost less amounts written off
Amounts due from subsidiaries
Amounts due to subsidiaries

	Expressed in £'000's	1966
1967 PARENT COMPANY	1967	1966
GROUP	785	896

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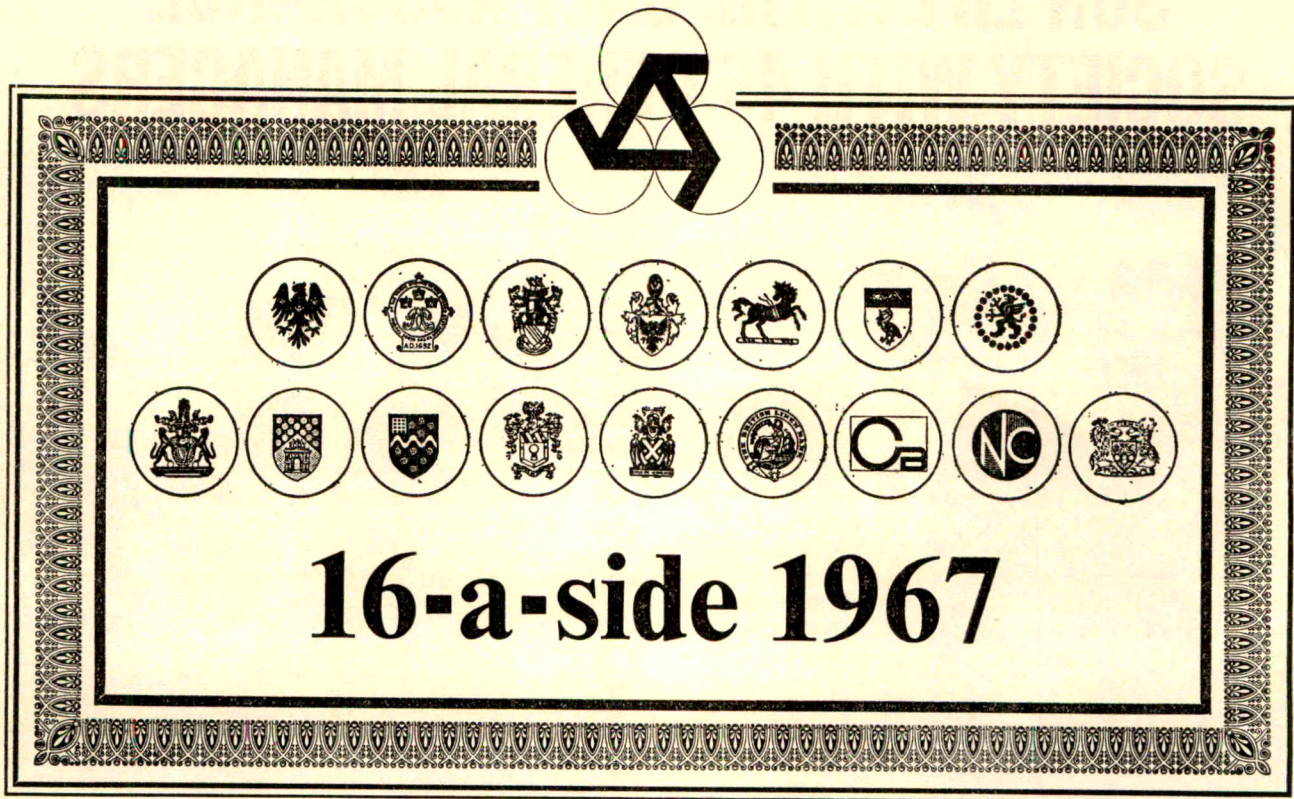
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CITY NOTES

ENFORCED devaluation as the price of further International Monetary Fund and Central Bank credits has naturally led to stock-market adjustments. Stoically, however, the bulk of investors see devaluation as a reinforcement of the argument for holding equities – if not necessarily for buying more at this juncture.

But realism must suggest that the equity market will have to rely on hope rather than on earnings and dividends for support. The severity of the clampdown on credit, 8 per cent Bank rate, the withdrawal of £100 million of SET premiums and the end to the recovery in demand for consumer goods must be taken into account.

Corporation tax at 42½ per cent is another factor which in the excitement of devaluation itself tended to be overlooked in investment terms. One of the few 'bull points' is that, presumably, 8 per cent is the top level of Bank rate and a 7 per cent rate could be a New Year move.

But one has to look hard to find justification for any resumption of the upward trend in industrial equities unless equity buyers are prepared to look ahead a year and more. Devaluation in 1949 was followed by a shallow but prolonged equity decline and it will be surprising if form is not followed this time.

* * * *

FOR the City, one of the most distressing points about the devaluation exercise is the evidence that either the Government has failed to learn, in three years, anything about the working of the confidence factor in international currency terms or simply chooses to ignore it. The absurd performance in the three days before the event meant an enormous expenditure of reserves in containing the pressure on sterling. And yet the Prime Minister still spoke of

'international speculators' as though they and not Government economic policies were the direct cause of devaluation. The presentation of devaluation as some master stroke of financial genius, rather than the enforced result of Government mismanagement, was another pointer to the Government's failure to appreciate that in international currency dealings honesty is a preferable policy to double talk.

* * * *

THE Bank of England's directive to the banks and other financial institutions was generally acknowledged as one of the strongest ever made. The ceiling on bank lending is imposed at the level of lending at the time of devaluation and lending for anything other than export promotion or import saving is definitely out. This, apart from the interest rate factor, must pinch out the growth on consumer demand which was the basis of the largely spurious argument that the economy was improving. Demand was certainly improving but entirely in the wrong direction.

* * * *

ONE thing that devaluation and renewed stock-market uncertainty will do is to shut the doors to new issue operations for the time being. New issue hysteria was at a high pitch before last week-end, but issuing houses and issuing brokers will now be wary of bringing new offers forward. Apart from new share offers, Bank rate at 8 per cent will certainly put new debenture refinancing schemes back on the ice. High interest rates, coupled with rigorous application of the Bank of England directive on lending, will almost certainly pull back the level of new industrial capital investment which in recent months has been showing a gradual tendency to improve.

RATES AND PRICES

Closing prices, Tuesday, November 21st 1967

Tax Reserve Certificates: Companies 3½% (24/6/67); 2½% surrendered for cash (15/4/67); Personal 3½% (27/6/66)

Bank Rate				Foreign Exchanges			
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%	New York ..	2.42
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%	Montreal ..	2.59½
Jan. 26, 1967 ..	..	6½%	Nov. 9, 1967 ..	..	6½%	Amsterdam ..	8.71 3/8
Mar. 16, 1967 ..	..	6%	Nov. 20, 1967 ..	..	8%	Brussels ..	120.11
						Copenhagen ..	18.10 1/8
						Frankfurt ..	9.65 3/8
						Milan ..	1508½
						Oslo ..	17.28½
						Paris ..	11.87½
						Zürich ..	10.45 3/8
Treasury Bills				Gilt-edged			
Sept. 15 ..	£5 5s	9.26d%	Oct. 20 ..	£5 14s	6.92d%	Consols 4% ..	57½
Sept. 22 ..	£5 7s	4.65d%	Oct. 27 ..	£5 14s	6.36d%	Consols 2½% ..	36
Sept. 29 ..	£5 9s	5.98d%	Nov. 3 ..	£5 17s	1.93d%	Conversion 3½% ..	50½
Oct. 6 ..	£5 9s	6.65d%	Nov. 10 ..	£6 7s	3.10d%	Conversion 5% 1971	92½
Oct. 13 ..	£5 9s	6.39d%	Nov. 17 ..	£6 8s	3.10d%	Conversion 5½% 1974	89½
						Conversion 6% 1972	94½
						Funding 3½% 99-04	56
						Funding 4% 60-90	95
						Funding 5½% 78-80	82½
						Funding 5½% 82-84	86½
						Funding 5½% 87-91	84½
						Funding 6% 1993 ..	87
						Savings 3% 60-70 ..	88½
						Savings 3% 65-75 ..	75
						Treasury 6½% 1976	96 1/8
						Treasury 3½% 77-80	72½
						Treasury 3½% 79-81	70½
						Treasury 5% 86-89	76½
						Treasury 5½% 08-12	79½
						Treasury 2½% ..	35½
						Victory 4% ..	96
						War Loan 3½% ..	49½
Money Rates							
Day to day ..	..	6-7½%	Bank Bills				
7 days ..	..	6½-7½%	2 months ..	..	7½-7 13/8%		
			3 months ..	..	7½-7 13/8%		
			4 months ..	..	7½-7 13/8%		
			6 months ..	..	7½-7 7/8%		
Fine Trade Bills							
3 months ..	..	9-9½%					
4 months ..	..	9-9½%					
6 months ..	..	9½-10%					

Mergers and Management

London Conference of The Institute of Cost and Works Accountants

A HIGHLY successful London Area Conference of The Institute of Cost and Works Accountants was held at the Connaught Rooms, Great Queen Street, WC2, on Wednesday of last week. The theme of the conference was 'Mergers and management' and the speakers were Mr Leonard J. Matchan, F.A.C.C.A., J.DIP.M.A., chairman and president of Cope Allman (International) Ltd, Mr L. W. Coxon, F.C.W.A., F.C.C.S., F.B.I.M., N.A.A.(U.S.A.), chief accountant of The Plessey Co Ltd, and Mr C. R. E. Brooke, senior executive of the Industrial Reorganization Corporation. Some two hundred and twenty members of the Institute and their business colleagues attended the conference.

At the morning session, under the chairmanship of Mr C. F. Howell, F.C.W.A., Mr Matchan gave a stimulating and forthright talk on the problems of management integration. He predicted that the rate of industrial amalgamations in the United Kingdom would continue to increase, although rather more slowly than in the U.S.A. Mergers could bring many advantages to industry, the chief among them being better use of resources, acquisition of management skills, reduction or elimination of competitive advertising and other substantial economies. Mr Matchan, whose group was built up through mergers and takeovers, declared himself in favour of the 'diversified merger' which took place between companies in entirely unrelated fields. His own company already consisted of some one hundred and fifty companies whose operations extend over four continents and which between them supply more than one hundred and thirty main products and services in the cosmetics, engineering, plastics, packaging, printing and fashion industries.

During a lively 'question-and-answer' session, Mr

Matchan accused top management of failure to give a lead to the workers who were so often accused of not working hard enough. They will work, he emphasized, if there is the right outlook, drive and leadership at the top.

At the conference luncheon, the President of the Institute, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., presented prizes to successful candidates in the December 1966 and June 1967 examinations (a picture of some of the prize-winners appears under 'Current Affairs' in this issue). The guest speaker at the luncheon was Mr C. R. E. Brooke who told the conference that after a year of existence, the I.R.C. had already established a working relationship with industry, but it would be another two or three years before the I.R.C. could prove its usefulness. The main role of the Corporation, he said, was to act as a communication channel in the 'no-man's-land' between industry and Government.

Accountants' role in mergers

He reminded his audience that the I.R.C.'s fund of £150 million was still largely unused and that it could provide a flexible financing means where the terms of a proposed merger were not entirely satisfactory. Mr Brooke emphasized the important role of cost and management accountants in merger negotiations. Reliable financial information was one of the important tools in modern management and it was often needed at the decisive stage of negotiations. 'The knowledge and information which you have enables us to do business quickly and efficiently', Mr Brooke said. Although small in size and 'anti-Parkinsonian' in its philosophy, the I.R.C. was basically a very practical organization, ready and willing to solve the problems of any



Mr Leonard J. Matchan, F.A.C.C.A., J.Dip.M.A., Chairman and President of Cope Allman (International) Ltd, addressing the conference on problems of management integration following a merger. Also on the platform are Mr C. F. Howell, F.C.W.A., chairman at the session (centre) and Mr C. E. Sutton, F.C.A., F.C.W.A., J.Dip.M.A., President of the Institute.

company which believed that its structure was wrong. 'Come and talk to us', Mr Brooke said. 'We can pass on to industry your ideas and suggestions which may be difficult to discover in any other way'.

The afternoon session, under the chairmanship of Mr R. Y. Kennedy, C.A., F.C.W.A., was devoted to a paper on 'Group management accounting implications' presented by Mr L. W. Coxon. The speaker stressed the need for a new parent company, whose subsidiaries were two or more existing companies, to formulate its own basic patterns of

control and management accounting which would enable top management to be provided with consolidated financial information. From this base, the group could either adopt what it considered to be the best system of one of its subsidiaries and adapt it for its own, or extract what was considered to be the best out of each of its subsidiaries' systems and construct a composite system from them. The complete abandonment of the newly-acquired company's system and substitution of the group's system had proved preferable, in the speaker's experience, to any other method.

Correspondence

Legal Charges – A Misleading Picture?

SIR, – In the recently published accounts of a public company I found the item 'Legal and professional charges £6,362'. I have obtained a breakdown of this figure as:

Commission paid to letting agents	..	..	£	3,423
Valuer's fees	..	..	..	2,158
Secretarial and registration fees	..	..	..	649
Solicitor's fees	..	..	..	132
				<u>£6,362</u>

Legal charges amount to only 2 per cent of the total and the presentation of the item in this way can surely, in fact, only be presenting a misleading picture? This is, of course, a quite usual legend in accounts.

Why saddle solicitors in the minds of the public with so large a receipt when they have received so little?

Will accountants please note and change this bad legacy of out-of-date verbiage?

Yours faithfully,

London.

D. H. STIMSON.

Treatment of Losses

SIR, – In your October 14th issue, Mr Jack Ross is intrigued by my suggestion relating to tax losses, quotes a sentence out of context, draws an illogical conclusion and applies it to a special case of nationalized industries.

The purpose of my letter in the September 23rd issue was to initiate a debate on the desirability of a value added tax (T.V.A.). Taxing the losses was considered to be the second best solution as there has been a considerable amount of tax legislation in the last three years and further large-scale changes probably would not be contemplated unless we were admitted into the Common Market.

It is interesting to note that Mr Ross does not mention the T.V.A. at all, neither does he suggest any constructive

alternative to the present 'kid-glove' treatment of losses. Surely the right way to deal with inefficiency is to tax the results of inefficiency rather than to give reliefs for them.

Perhaps you will permit me to deal with two of the points raised by Mr Ross as follows:

- (1) If losses are to be taxed, it does not logically follow that allowances are to be made for profits or vice versa. It is possible to tax both or neither depending on the economic climate and the circumstances of the case. There is no logic involved in this situation and whoever said that there was logic in tax law?
- (2) Mr Ross is worried about the creditors of the company which makes losses in so far as their interest is diluted by the existence of the preferred debt due to the Revenue. No doubt Mr Ross is aware that companies which go into liquidation trade until the last straw sinks them. If a tax on losses is imposed such companies would buckle under earlier than is normally the case, thereby saving creditors from giving further credit to a bankrupt business.

Yours faithfully,

D. R. MISTRY, B.A., B.COM.,
LL.M.(LOND.), A.C.A.

Collonges-sous-Salève,
Hte Savoie, France.

Betterment Levy and Income Tax

SIR, – The Finance Act 1967 (section 34 and Schedule 15) give a limited amount of relief for corporation tax and capital gains tax in respect of betterment levy chargeable on premiums against the tax chargeable on Case VIII etc. So far as I can see no such relief is given against the Case VIII tax in respect of rent receivable. Mr Desmond Heap in his excellent book *Introducing the Land Commission Act* gives an example of a lease for seven years at £1,200 per year resulting in a net development value of £7,362. Assuming these figures it would seem to me that the taxation position would be as follows:

Income tax at 8s 3d on £8,400	..	..	£	3,465
Betterment levy on £7,362 at 40 per cent	..	..	..	2,945
				<u>£6,410</u>

It will be seen that if the rate of surtax averages more than 5s in the £, the landlord would actually be out of pocket and would be better off letting the land rent free. Or have I missed something?

Yours faithfully,

J. ROSS.

Manchester 2.

Current Tax Complexities Denounced

Strong Criticisms at Manchester Dinner

THE complexity of current tax legislation, with the consequent delays, frustration and loss of confidence to which it gave rise, were roundly denounced at the annual dinner of the Manchester Society of Chartered Accountants on Thursday of last week.

Addressing more than five hundred members and guests presided over by Mr T. W. E. Booth, F.C.A., President of the Society, Mr H. H. Monroe, Q.C., in proposing the toast of 'The Institute of Chartered Accountants in England and Wales', said this was a matter about which he was very concerned at the present time.

There was a day, he said, when an Inspector of Taxes was sent out to a district and told to get on with the job. He knew his contacts and he met the accountants. But today he was little more than a messenger – a post office – passing on letters.

The ironical thing was that one saw advertisements inviting young men to come into the Revenue service because they would deal with people. It ought to be like that, but one wondered, in the light of present trends, how long it was going to be a job where they dealt with people.

For instance, practitioners advising a client on matters under section 28 of the 1960 Finance Act were entitled to ask the Revenue if the client would be blessed or not. But often they were not allowed to see an official face to face and not allowed to talk to a particular person. It was a regrettable tendency.

Profession should speak out

He was aware, said Mr Monroe, that the accountancy profession was already carrying heavy burdens, and they were at present involved in planning the future structure of the profession, and in other matters of importance to the profession. But the profession should speak out on this subject of complex and abstruse tax legislation in no uncertain terms.

He wondered whether they ought not to investigate the possibility of their being brought in at an early stage in the formulation of proposed legislation.

There should be more personal relationships and he suggested that there might be, perhaps, biennial conferences in which members of the accountancy profession and of the Revenue could take part. It was time the profession got together with them and hammered things out. They must be alert to what was happening and take more steps to pool experiences.

Questionable implication

Mr Monroe referred to a recent leader in a daily newspaper commenting on the gross salaries of certain people in industry, in which – although it did say there was something also in the way of tax involved – it was suggested that these particular individuals had a great advantage because they had access to very highly qualified accountancy advice; the implication being that by having a clever accountant one could get away from paying the due tax. Mr Monroe asked if it was really fair and proper for the impression to be aired around that accountants were so 'clever' as to enable one taxpayer to pay less than another? It was time that sort of careless talk was nailed for good.

Responding to the toast, Mr W. E. Parker, C.B.E., F.C.A., President of the Institute, said he would put aside what he had intended to say and instead he would just comment on some of the things to which Mr Monroe had referred.

Mr Monroe had put his finger on some of the major things pre-occupying the profession, said the President. He himself felt, and he was sure he spoke for all, that the tax situation was now becoming one in which nobody – not even the Inland Revenue – knew whether they were coming or going.

He would like to assure Mr Monroe, members and guests, that the Institute had indeed been plaguing the Government for early consultation on legislation likely to be drafted and applied. They had had at least one, if not two meetings, with the Financial Secretary of the Treasury, who was himself a member of the Institute, on that very matter.

They had put to him that they, perhaps most of all, had the closest experience of the problem of interpreting and administering with justice the tax laws of the country. Also, that when new legislation was being contemplated, it might be an advantage to consult with the profession in the early stages.

It was, of course, true that in certain aspects of tax it would be inappropriate for the Government to have discussions in advance, but across the Atlantic in the United States, for example, when new legislation was complicated, it was shown in advance. Then, as it went through the various processes, there was a chance to allow experience to be brought to bear and adapt it so that it was practical to work.

Making more of an impression

The pooling of experience was of tremendous importance, said Mr Parker. It was only fair to say that Sir Alexander Johnston and members of the Board of Inland Revenue had listened to them with care, and he thought they were now making more of an impression than before.

Mr Booth formally proposed the toast of 'The City and Ports of Manchester' and the Lord Mayor of Manchester, Alderman Mrs Elizabeth A. Yarwood, J.P., responded. Mr Booth also proposed the toast of 'Our Guests' and Judge J. W. Morris, Recorder of Manchester, responded.

Mr Peter Robinson, F.C.A., proposed a vote of thanks to Mr Booth for his services as President of the Society.

A Danger of the Computer Age

Deputy-President's Comments at Women Accountants' Dinner

THE Deputy-President of The Institute of Chartered Accountants in England and Wales, Mr Stanley Dixon, M.A., F.C.A., warned accountants last Friday of a danger which faced them in the computer age.

Speaking at the annual dinner of the Women Chartered Accountants' Dining Society at the House of Commons, Mr Dixon said that when he attended the International Congress in Paris he noted that the theme of almost every paper was that in a few years' time accountants would be inundated with information. Because of the operations of computers they would have information of every kind.

False conclusion

The idea seemed to be that the accountant's problems would then be simple. But how wrong this was. In fact the accountant would have the problem of sorting out from this vast amount of information, that which would be of use.

The trap into which accountants were inclined to fall was to think that a great collection of information was a good thing. Unless, however, information made a positive contribution to management and unless it was used, then it was useless.

Mr Dixon, who was replying to a toast to the Institute, went on to say that one of the great advances in accountancy over the past few years was the realization of the vital contribution the accountant was able to make to management. This was not only true of the giants but, he believed, of the smallest practitioner and the smallest client.

Too few women accountants

Mr Dixon said it was unfortunately a fact that there were comparatively few women chartered accountants. Perhaps one of the reasons not very many women were attracted to accountancy might be that the image of

the profession was not as attractive as accountants liked to think.

The toast to the Institute was proposed by the Society's Chairman, Mrs Mollie Burgess, F.C.A., who said those who had qualified as members would recollect the relationship that grew up between themselves and the Institute and its representatives. At first, during the opening years of studies, it was the rebellious attitude of the student towards authority. But this gradually changed so that by the time their names appeared on that great list of admitted members they had developed an affection for the Institute.

During the past year the Dining Society had had quite a lot of contact with women articled clerks. They had organized a meeting to which they had invited the certified accountant women students, and the Society was willing to contribute its part towards integration – the Monopolies Commission permitting!

Much to offer

Mrs Burgess said they welcomed as the principal guest speaker at the dinner, Miss Margaret Miles, headmistress of her old school. She hoped Miss Miles would influence some of the girls there to consider accountancy as a career. Mrs Burgess said she would like to see more women accountants – not because they wanted to become a big noisy majority but because they believed they had much to offer in building up a strong and forward-looking profession of which they were a part.

As women with a specialized knowledge of taxation, Mrs Burgess said they should press for more allowances for domestic expenses for professional women; for dependent relatives; and for separate surtax assessment for man and wife.

Responding to the toast of 'The Palace of Westminster', proposed by

Miss Elizabeth Thurston, F.C.A., F.A.C.C.A., Mr Arthur Palmer, M.P., said that as not just a tax-maker but a taxpayer, too, he had good reason to be grateful to women chartered accountants, for he himself employed women. He thought everyone should!

A difficult job

Replying to the toast of 'The Guests', proposed by Miss Angela Mason, A.C.A., Miss Miles, Headmistress of Mayfield Girls' Comprehensive School, Putney, said that the professions of accountancy, law and politics could do with a lot more women. There was a lot of mumbo jumbo in all these professions, and women did a lot to get rid of this. She thought that women accountants did a very difficult job in a man-dominated profession.

Miss Miles said that comprehensive schools were a tremendously important contemporary issue. The word 'comprehensive' had become a 'dirty word' in some parts of the country and had been tossed about in party politics in the wrong sort of way.

The ideas behind comprehensive schools were tremendous. They symbolized the ideas of justice for every man. The idea meant that every boy and girl in the country should be able to get the kind of education which he or she as an individual deserved.

Miss Miles said that right up to 1945, 75-80 per cent of children left school after elementary education at the age of 14. Secondary education up to that time was in 'pseudo-public schools' with a strong literary tradition. So the secondary modern schools were set up – a most unimaginative and terrible thing. But it was soon realized that the pupils of these schools were just as able as those in grammar schools and they wanted to take examinations as well.

People who criticize authorities for

'rushing' into comprehensive schemes now forget that we had wasted twenty years before starting.

At Mayfield - which went comprehensive in 1955 - many girls who were technically not suitable for grammar schools stayed on to 16, 17 and 18 years of age.

Miss Miles said that by denying the right education to these children, we were denying the country of the people it needed. She passionately felt that much of the trouble the country was going through at present was due to under-education of our adult population.

In the future we would have a more educated population - a population which could play its part and not be resistant to change, or relegated to a minor role in society. The comprehensive school was one of the great agents of the social change which was going on in this country.

Anonymity Rule 'Hindering Accountancy'

President's Views at Hull Chartered Accountants' Dinner

SPEAKING at the annual dinner of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants in Hull Guildhall on Friday of last week, Mr W. E. Parker, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales, said the rules of anonymity for individuals were undoubtedly handicapping the publicizing of the accountancy profession, particularly in the case of radio and TV, where the public demanded human interest.

There was a similar handicap, he said, where members who had developed specialist techniques were in competition with members of other professions and other occupations, the work of which was not the exclusive preserve of accountants.

Mr Parker mentioned as examples management consultancy and computer services.

A new look at the rules

He said the Institute was now having a new look at the rules to see if they could find a better dividing line between what on balance would be beneficial to the public and the profession and what would on balance do more harm than good.

'We would like', he said, 'to see chartered accountants appear on radio and TV discussion programmes alongside bankers and economists.'

Discussing recruitment, Mr Parker said the rewards both immediate and prospective must be competitive with those in other occupations.

The President was replying to a toast to the Institute proposed by Mr J. H. W. Glen, LL.B., Town Clerk of Hull, who said that accountancy was recognized, like the law, as an honourable profession.

In order to maintain high standards of conduct, and more important, to retain public confidence and to protect the public against incompetence, a discipline had been imposed and there were ethical rules and professional restrictions. He added that there was no doubt, in some instances, that these rules caused personal detriment but they were necessary and were designed to establish authenticity and competence in the eyes of the public, and security for the client, whose interest the accountant and the lawyer must serve.

Taxation complexities

'Fortunately, except as a suffering taxpayer', said Mr Glen, 'taxation is not my field, but I am certain that your Institute, Mr President, would welcome, as would the Law Society, a more intelligible and less complicated system of taxation.'

'I am told that there are at present at least ten specific heads of revenue

law. Nowhere is it possible to find in one Act of Parliament all the relevant matter pertaining to one specific head of taxation, with the result that much time and research is required to ensure that every amendment and re-amendment of the statute is studied before competent advice can be given on a subject which, with each passing year, becomes more and more confusing.

Clear statement of the law

'This state of affairs is not, as is commonly believed, one which commends itself to lawyers. We, and I believe, members of your Institute, would urge that what is required is an up-to-date, intelligible statement of the law in order that firm and accurate advice can be given to clients, so that they in turn can plan their business affairs with confidence.'

The toast of 'Our Guests' was proposed in rhyme by Mr Jack Reynolds, F.C.A., President of the Society, who presided over the dinner, and was responded to - also in rhyme - by the Rev. H. A. Hall.

Welcoming the guests, Mr Reynolds mentioned among them the Lord Mayor of Hull, Alderman H. W. Anderson; the Sheriff of Hull, Mr J. L. Spooner; the Bishop of Hull, the Rt Rev. H. L. Higgs, M.A., and prominent members of the Institute and other professional bodies.

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ALABASTER, STRAY & CLOGG, Chartered Accountants, announce that Mr J. L. SPILLARD, C.A., a member of their staff for a number of years, has been admitted to partnership. The name of the firm will remain unchanged.

MESSRS COOPER BROTHERS & Co, and COOPERS & LYBRAND announce that they have opened an office at Downs House, Victoria Avenue, Blantyre, Malawi (P.O. Box 164). The resident partner is Mr BRUCE ALLAN THOMAS, F.C.A.

Appointments

Mr Robert Browning, C.B.E., M.A., LL.B., C.A., has been appointed a director of Clydesdale Bank Finance Corporation Ltd, a recently-formed subsidiary of Clydesdale Bank Ltd; Mr A. R. Cole-Hamilton, C.A., has been appointed assistant manager of the Corporation.

Mr J. A. Cope, A.C.A., of the Conservative Research Department, has been appointed Assistant to the Rt Hon. Anthony Barber, Chairman of the Conservative Party Organization.

Mr J. A. T. Davies, F.C.A., has been appointed financial controller of Charterhouse Industrial Holdings Ltd, and Mr A. Robinson, A.C.A., financial controller of Charterhouse Industrial Development Co Ltd.

Mr W. Hunter Frew, C.A., has been appointed a director of Barclay Curle & Co Ltd.

Mr William David Jones, A.A.C.C.A., A.C.W.A., A.C.I.S., has been appointed district administrative officer at Swansea of the South Wales Electricity Board.

Mr Anthony Marchant, A.A.C.C.A., has been appointed financial director and accountant of William Tatton & Co Ltd.

Mr C. J. Nancarrow, B.Sc.(ECON.), A.C.W.A., finance controller of Staveley Industries Ltd, has been appointed to the board as finance director.

Mr William Allardyce Nicol, C.A., F.C.C.S., has been appointed a deputy chairman of Eagle Star Insurance Co Ltd with effect from April 1st, 1968; he will relinquish his full-time executive duties with the G.K.N. Group on March 31st, 1968.

Mr A. E. Peyton, F.C.W.A., chief accountant of Sidney Flavel & Co Ltd, has been elected a director of Sidney Flavel Appliance Conversions Ltd.

Mr L. J. Thompson, F.A.C.C.A., has been appointed financial controller and secretary of Independent Television Publications Ltd.

CONSTRUCTION RESEARCH ADVISORY COUNCIL

Mr R. S. McDougall, C.B.E., F.C.A., F.I.M.T.A., general manager of Stevenage Development Corporation and chairman of the steering committee of the Building Research Station, together with Mr K. M. Wood, B.A., F.C.A., chairman of Concrete Ltd, have been appointed by the Minister of Public Building and Works as members of the Construction Research Advisory Council.

The Council has been formed to survey the national need for construction research, to review existing facilities and to consider measures necessary to encourage expansion and more effective deployment of available resources.

The Council, under its chairman, Sir Antony Part, K.C.B., M.B.E., Permanent Secretary, Ministry of Public Building and Works, held its first meeting on November 14th.

COMPULSORY ACQUISITION OF LAND

Rate of Interest after Entry

The Treasury has made new regulations which increase from 6½ per cent to 7 per cent per annum the rate of interest payable on compensation in respect of land purchased compulsorily in England, Wales and Scotland on which entry is made before the compensation is paid. The new rate

came into operation on November 16th, and will apply in respect of that part of the period between entry and the payment of compensation which falls on or after November 16th.

The regulations have been published in the form of statutory instruments – the Acquisition of Land (Rate of Interest after Entry) (No. 2) Regulations 1967 No. 1649 in respect of England and Wales, and the Acquisition of Land (Rate of Interest after Entry) (Scotland) (No. 2) Regulations 1967 No. 1650 in respect of Scotland. Copies are available from H.M. Stationery Office, price 3d each.

CAPITAL ISSUES COMMITTEE DISSOLVED

Applications under the Control of Borrowing Order will no longer be referred to the Capital Issues Committee, which has accordingly been dissolved.

In January of this year, the administration of the Control of Borrowing Order – which now applies mainly to proposed borrowings by overseas residents – was assimilated to that of exchange control and the new arrangements have been working satisfactorily. It has, therefore, been decided that the continued retention of the Capital Issues Committee is no longer justified.

The Committee was originally constituted in 1939 to serve as an advisory body to the Treasury.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., gave a luncheon party on November 14th at the Institute's offices, 63 Portland Place, London W1.

Those present were: Sir Christopher Chancellor, C.M.G., chairman, Bowater Corporation Ltd; Mr Basil de Ferranti, joint managing director, I.C.T. Ltd; Mr F. C. de Paula, T.D., F.C.A., F.C.W.A., J.DIP.M.A.; Sir Ronald Edwards, K.B.E., chairman, Electricity Council; Mr I. T. Morrow, C.A., F.C.W.A., J.DIP.M.A.; Lord Murray of Newhaven, K.C.B., director, Leverhulme Trust Fund; Mr W. S. Risk, B.COM., C.A., F.C.W.A.; Mr F. Simmonds, F.C.W.A.; Mr Whitney Straight, deputy chairman, Rolls Royce Ltd; Mr M. H. Walters, C.B.E., Secretary of the Institute.

**REFRESHER COURSE FOR
TEACHERS IN ACCOUNTANCY**

The Institute of Chartered Accountants in England and Wales is holding a residential refresher course for teachers in accountancy at the City University, London EC1, from January 2nd-5th, 1968.

The course, which is open to non-members as well as members of the Institute, is designed to keep teachers up to date with the latest developments in the accountancy field and with the new approaches to the problems of teaching. The programme will include films on auditing and computers, discussion meetings and syndicate work.

Lectures will be given on 'The education policy of the Institute', by Mr A. W. John, C.B.E., F.C.A.; 'Effective teaching', by Doctor Ruth M. Beard, M.Sc., M.A., Ph.D.; 'New methods and aids in teaching' by Mr J. V. R. Anderson, M.A., F.C.A.; 'Office methods and the use of mechanized and electronic equipment', by Mr A. W. Howitt, F.C.A., J.Dip.M.A.; 'Practical accounting applications of the Companies Act 1967', by Mr E. R. Nicholson, F.C.A., and 'The accountant and mathematics', by Mr M. J. Mephram, B.Sc.(Econ.), F.C.A.

The fee for the course, inclusive of full residence and tutorial fees, is £16 and the closing date for applications is Monday, December 11th.

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS IN IRELAND****Two-day Seminar**

A two-day, non-residential seminar on 'The accountant's job - broadly speaking' is to be held by The Institute of Chartered Accountants in Ireland on December 4th and 5th at the Intercontinental Hotel, Dublin.

The course is designed for accountants both in practice and industry and will provide an opportunity for members to hear the views of specialists on matters of importance and will also enable members to discuss problems in open forum.

The subjects to be covered will

include 'Presentation of accounts', 'Company law problems', 'The managing of people', 'Pension schemes' and 'Some aspects of insurance'.

**SHEFFIELD AND DISTRICT
SOCIETY OF CHARTERED
ACCOUNTANTS**

At a discussion meeting of the Sheffield and District Society of Chartered Accountants to be held on Thursday next, November 30th, the subject will be 'Data processing bureaux - can they help me?' The meeting will be opened by Mr P. Greenwood, a consultant with A.S.A.P. Ltd.

The meeting should be of interest to many members of the Society, particularly those in practice who need to advise their clients and those in industry and commerce whose companies do not have their own computers but might benefit from the use of computer facilities. The meeting will be held in the Penthouse Suite of the Grosvenor House Hotel, Charter Square, Sheffield, at 6 p.m.

**OXFORD AND DISTRICT GROUP
OF CHARTERED ACCOUNTANTS**

The next meeting of the Oxford and District Group of Chartered Accountants will be held on November 30th when Mr Halmer Hudson, F.C.A., will speak on various aspects of taxation.

Further meetings of the Group have been arranged as follows:

December 7th. Fourth meeting of Computer Study Group.

January 16th, 1968. Discussion Group meeting on 'Auditing'.

March 6th. 'Taxation - appeals and appeal meetings', by Mr W. O. Reid, H.M. Inspector of Taxes, Oxford 1st District.

March 27th. 'Management ratios', by Mr Henry Kendall, of the Federation of British Master Printers.

All meetings will be held at 6.30 p.m. at the Royal Oak, Woodstock Road, Oxford, with the exception of the Computer Study Group meeting which will be at the College of Technology at 7 p.m. (further meetings of this Group are to be arranged for 1968).

**LONDON AND DISTRICT SOCIETY
OF CHARTERED ACCOUNTANTS**

The next luncheon meeting of the London and District Society of Chartered Accountants will take place next Thursday, November 30th, at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m. The guest speaker will be the Rt Hon. Lord Inman, P.C.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

Wednesday, November 29th, 6 p.m. Speakers' Course - 'Presentation and making the most of your voice'. The Society's Common Room, 43 London Wall, EC2. All inquiries to Miss Ann Dent, c/o The Library.

**CHARTERED ACCOUNTANTS'
GOLFING SOCIETY**

The A. O. Miles Challenge Cup, 1967, was won by Thornton Baker & Co who beat Barton Mayhew & Co by 2 and 1.

The final was played at the Ashridge Golf Club over eighteen holes.

COURSES FOR MANAGEMENT

'Long range planning' is the title of a one-day course to be held in London on December 5th. Intended for directors and senior company executives as well as for management accountants, it is an introductory course designed to enable company executives to assess the potential value of long-term planning.

On December 7th, also in London, a one-day course is to be held on 'Better annual reports' and is intended for directors, company secretaries and financial controllers. The course will also examine the reports and accounts of companies which have won *The Accountant* Annual Awards.

Further particulars are obtainable from Dr J. M. S. Risk, B.Com., Ph.D., C.A., F.C.W.A., J.Dip.M.A., F.C.I.S., F.B.I.M., P.O. Box 40, Amersham, Bucks.

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November 25th, 1967

THE
ACCOUNTANT

ADVERTISERS' INDEX FOR NOVEMBER 1967

Accounting Machines

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Burroughs Machines Ltd (4th, 25th)
Logabax Ltd (4th, 18th)

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Building Societies

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Cheltenham and Gloucester (18th)
City of London (11th)
Hastings and Thanet (11th)
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Leicester Temperance (18th)
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Terminal Data Processing Ltd (25th)

Estate Duty Management

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Hogg Robinson & Gardner Mountain Ltd (11th)

Finance Investment

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Chesham Amalgamations & Investments Ltd (25th)
EDITH (4th)
I.C.F.C. Ltd (11th)
Industrial Mergers Ltd (18th)
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Giro

Giro Directorate (11th)

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J. W. Sleath & Co Ltd (4th, 18th)
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Brown Shipley & Co Ltd (25th)
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Keyser Ullmann Ltd (4th, 18th)
Kleinwort Benson Ltd (18th)
Lombard Banking Ltd (11th)

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The Sunday Times (4th)

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Black Arrow Leasing (18th)
W. Miller & Sons Ltd (25th)
Modern Telephones Ltd (25th)

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The Institute of Chartered Accountants in England and Wales (weekly)
The Institute of Taxation (18th)

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The Accountants' Publishing Co Ltd (4th)
Butterworths (18th)
Gee & Co (Publishers) Ltd (weekly)
HFL (Publishers) Ltd (11th)
Jordan & Sons Ltd (11th, 25th)
McGraw Hill (Inc.) (25th)
Pitman (25th)
Secretaries Journal Ltd (11th)
Witherby & Co Ltd (11th)

Project Management

Planned Projects for Industry Ltd (11th, 25th)

Property/Auctions/Investment

Baronial Investments (25th)
H. E. Foster & Cranfield (18th, 25th)
Hillier Parker May & Rowden (weekly)
Samuel Walker & Son (25th)

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Thresher & Glenly Ltd (18th)

Valuers

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John Foord & Co (weekly)
Fuller, Horsey Sons & Cassell (4th, 18th)
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Leopold Farmer & Sons (11th)
Jones Lang Wootton (11th)
Orridges (weekly)
Edward Rushton Son & Kenyon (25th)
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ON AUGUST 4th, 1967 – the same day that the Companies Act 1967 was published by the Stationery Office – the book *Guide to the Accounting Requirements of the Companies Acts 1948–1967* appeared. It was published by Gee & Co (Publishers) Limited for the General Educational Trust of The Institute of Chartered Accountants in England and Wales. This timely reference work is an indication of the publication services to members and non-members provided by

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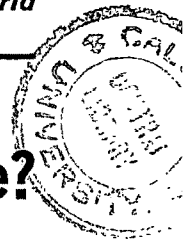
THE ACCOUNTANT

Established 1874

Vol. CLVII. No. 4850

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The Recognized Weekly Journal for the Accountancy Profession throughout the World



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What is Capital Expenditure?

THE tax case reports abound with examples of arguments by the Inland Revenue that this or that expense of a trade is 'capital expenditure' and therefore not deductible, however little the trader has to show for that money. Thus items like instalments of premium on a lease of business premises, or instalments of monopoly value payments have been disallowed, although clearly a proper business expense for which there is nothing to show in the end except the profits themselves.

This anxiety of the Inland Revenue to stigmatize expenditure as capital does not, however, survive into the field where it is to the taxpayer's advantage so to treat it. Accordingly, when investment allowances are introduced with the declared object of stimulating expenditure on new machinery and plant, we find the Revenue arguing that the allowance is not due because the expenditure is *not* capital expenditure. They carried this argument to the House of Lords (although it did not then succeed) in the case of the shoe manufacturer who bought large quantities of knives and lasts for use on shoemaking machines (*Hinton v. Maden & Ireland Ltd* (38 A.T.C. 231)). Last week, however, they secured a High Court decision in their favour (*Rose & Co Ltd v. Campbell*).

In the new case, a company selling wallpaper spent money on the production of pattern books, the preparation and useful life of which covered about four years. The Revenue resisted the claim for investment allowances and the General Commissioners found that the expenditure was not capital expenditure. Mr Justice PENNYCUICK upheld that decision, reported *The Times* of November 24th, on the ground that the actual useful life of each book was little more than two years. The cost was simply an item incurred in selling the wallpapers, comparable with expenditure on sales catalogues or advertising material. He added that there had been no expert evidence as to accounting practice, but there was no doubt in his mind that according to normal practice such expenditure would be attributable to revenue.

Although investment allowances have been discontinued, the problem is likely to be exacerbated in the future in relation to investment grants which are supposed to replace those allowances. For grant purposes, the expenditure has to be 'approved capital expenditure' which is defined in section 13 (1) of the Industrial Development Act 1966 as 'expenditure *appearing to the Board* to be of a capital nature *and approved by them* for the purposes of the grant' (our italics). The Board of Trade have already given

some depressing indications of their approach to this problem. A booklet published by the Board in November 1966 contains, for instance, paragraph 67 which begins thus: 'Grants will not be paid on individual items of machinery or plant costing less than £25 each. If a claim is made for a number of similar items costing less than £25 each, but more than £25 in the aggregate,

they will still not be eligible for grant'. A more obvious temptation to extravagance could hardly be imagined. It is quite possible for a large undertaking to spend vast sums on a large number of items whose individual price is, say, £24, and it must pay such an undertaking handsomely to be a little more generous – say, £1 more generous.

COMPANIES ACT 1967

Substantial Individual Interests – II

LAST week's article summarized and commented upon the provisions of section 33 of the Companies Act 1967 for securing the disclosure of what the head-note to the section calls 'substantial individual interests in share capital carrying unrestricted voting rights'. Section 34 of the 1967 Act requires every company to which section 33 applies to keep a register of information received under that section and therein to inscribe that information and the date of inscription against the name of the person required by section 33 to notify the company of the acquisition, changes in amounts of, and disposals of 'relevant share capital'. This register must be so made up that the entries against the several names inscribed in it appear in chronological order.

The information received by the company under section 33 must be inscribed in the register within a period of three days beginning with the day next following that on which it is received but, as under section 29 (4) of the Act, a day which is a Saturday or Sunday or a bank holiday in any part of Great Britain is to be disregarded. Section 34 (4) provides that the company shall not, by virtue of anything done for the purposes of the section, be affected with notice of, or put upon inquiry as to, the rights of any person in relation to any shares. This subsection is in similar terms to section 29 (6) of the Act, and has the effect of not disturbing in any way section 117 of the Companies Act 1948 which provides that no notice of any trust, expressed, implied or constructive, shall be entered on the register or be receivable by the registrar in the case of companies registered in England.

It appears that if anyone acts upon inaccurate information contained in the register he has no recourse against the company itself, but can bring an action in tort for negligence or deceit against the person who gave the inaccurate information to the company. Unlike the register of directors' interests, the register under section 34 does not have to be produced at the

annual general meeting of the company. But the register must be kept at the same place as the register of directors' interests under section 29 (7) of the Act, that is, either at the company's registered office or wherever the company's register of members is kept.

In the case of quoted companies, the register kept under section 34 will be useful to the directors in deciding whether or not the company is a subsidiary company. On the other hand, since sections 33 and 34 do not apply to unquoted companies, the directors may be in some difficulty in deciding such questions as arise under section 47 of the 1967 Act. Under section 47 (1) an unlimited company is exempt from the requirements imposed by section 127 of the 1948 Act to annex the company's accounts to the annual return if during the period to which the return relates the company has not been, to its knowledge, the subsidiary of a company that was then limited, and that at no such time, to its knowledge, have there been held or exercisable by or on behalf of two or more companies that were then limited, shares or powers which, had they been held or exercisable by one of them, would have made the company its subsidiary. The view has been expressed in some quarters, however, that by virtue of the wording of section 33 (10), that section can apply to a company which has, as respects the whole or any proportion of its share capital, been granted a quotation on a recognized Stock Exchange – even though it no longer has a quotation. But it is conceivable that this is not the intention of the section.

The register must, subject to two qualifications, be open during business hours to the inspection of any member of the company without charge, and of any other person on payment of one shilling or such less sum as the *company* may prescribe for each inspection. But as under section 29 (7), the *company in general meeting* may restrict the business hours during which the register is open for inspection to not less than two

hours in each day. And the register is not to be open for inspection in so far as it contains information with respect to a company for the time being entitled to avail itself of the benefit conferred by section 3 (3) or section 4 (3) of the Act.

Section 3 (3) relates to information with respect to a body corporate which is the subsidiary of another and is incorporated outside the United Kingdom or being incorporated in the United Kingdom carries on business outside the United Kingdom, if the disclosure would, in the opinion of the directors of the parent company, be harmful to the business of the parent company or of any of its subsidiaries and the Board of Trade agree that the information need not be disclosed in, or in a note on, or statement annexed to the company's accounts laid before it in general meeting. Section 4 (3) relates to information with respect to a body corporate which is not the subsidiary of another but in which the other body corporate holds shares; otherwise it is in similar terms to section 3 (3). By contrast, section 29 of the 1967 Act does not apply sections 3 (3) and 4 (3) in respect of the register of directors' interests.

Unless the register under section 34 is in such form as to constitute an index in itself, the company must keep an index of the names inscribed in it which must (a) in respect of each name contain a sufficient indication to enable the information inscribed against it to be readily found, and (b) be kept at the same place as the register. Within fourteen days after the date on

which a name is inscribed in the register the company must make any necessary alteration in the index. These requirements correspond with those of section 29 (9).

As regards so much of the register as is required to be open to inspection, any member of the company or any other person may require a copy of it, or any part of it, on payment of two shillings or such less sum as the company may prescribe for every hundred words or fractional part of a hundred words required to be copied. The company must send any copy to the person requiring it within ten days of the requirement being received by the company.

If default is made in complying with the requirements of section 34 as to the keeping and making up of the register and/or index within the period prescribed, or if an inspection is refused or any copy required is not sent within the proper period, the company and every officer of the company who is in default will be liable to a fine not exceeding £500 and further to a default fine. This provision is similar to the latter part of section 29 (12). Under section 440 (1) of the 1948 Act a 'default fine', if the amount is not specified in the enactment in question, means a fine not exceeding £5 for every day during which the default, refusal or contravention continues.

If an inspection of the register is refused, the Court may by order compel an immediate inspection, and in the case of failure to send a copy to any person requiring it, the Court may by order direct that the copy required shall be sent to him.

Obligation of insurance companies to notify changes in officers or control

Section 82 of the 1967 Act provides that every insurance company to which the Insurance Companies Act 1958 applies which is a body corporate must, upon a person becoming or ceasing to be an officer of the company, or acquiring or relinquishing control of the company, notify the Board of Trade in writing of that fact and of his name; and every insurance company to which the 1958 Act applies which is not a body corporate must, upon a person becoming or ceasing to be an officer of the company also notify the Board of Trade. For the purposes of section 82 a person will be taken to be 'in control of' a company if he is entitled to exercise or control the exercise of one-third or more of the voting power at any general meeting of the company; and under section 102 (2) of the 1967 Act 'officer' includes (except where the context otherwise requires) a director, manager or secretary.

Section 455 (3) of the 1948 Act provides that references in that Act to a 'body corporate' are to be con-

strued as not including a corporation sole or a Scottish firm, but as including a company incorporated outside Great Britain, for example, a company incorporated in Northern Ireland. Section 102 (1) (b) of the 1967 Act provides that any expression to which a meaning is assigned by the 1948 Act has the same meaning for the purposes of Part II of the 1967 Act, which relates to insurance companies. The information relating to the acquiring or relinquishing of control of the company under section 82 of the 1967 Act will be taken from the register to be kept under section 34.

Every insurance company to which the 1958 Act applies, being a body corporate which is the subsidiary of another such body must, upon a person becoming or ceasing to be an officer of, or acquiring or relinquishing control of, a body corporate which is its holding company within section 154 of the 1948 Act, notify the Board of Trade in writing of that fact and of his name. Section 154 (4) of the 1948 Act provides that a company

is to be deemed to be another's holding company if, but only if, that other is its subsidiary.

An obligation imposed on a company by section 82 must be fulfilled within fourteen days following that on which both the fact of its being under the obligation and the identity of the person whose name must be notified in discharge of it, are first known to the company.

Section 83 of the 1967 Act requires a person who acquires or relinquishes control of an insurance company or an insurance company's holding company to notify it of that fact. Subsection (1) provides that a person who acquires or relinquishes control of an insurance company to which the 1958 Act applies or, if it is a body corporate, of another body corporate which is

its holding company within section 154 of the 1948 Act must, before the expiration of the period of seven days beginning with the day next following that on which he does so, notify the company in writing accordingly. If he fails to do so he will be liable (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine, or to both; or (b) on summary conviction, to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or to both (subsection (2)). For the purposes of section 83 a person will again be taken to be in control of a company if he is entitled to exercise, or control the exercise, of one-third or more of the voting power at any general meeting of the company.

Current Affairs

Accountants' Libel Damages 'Exorbitant'

LIBEL damages totalling £8,000 awarded to two chartered accountants were 'excessive, extravagant and exorbitant', the Court of Appeal ruled on Tuesday of last week. The Court allowed an appeal by the man against whom they were awarded, Mr H. Stanley Rubin, director of B. and R. Investment Finance Ltd, of Deanery Street, London W1, and ordered a new trial on the damages issue.

Mr Rubin challenged a judgment of Mr Justice Swanwick on April 19th (referred to in *The Accountant* of April 29th), awarding the damages to Mr Norman Harold Davis, F.C.A., of 'Mildholme', Wembley Park, Middlesex, and Mr Michael Ivor Gee, M.A., F.C.A., of Crossfield Road, Hampstead, London NW3.

Mr Davis and Mr Gee, who practise as Lane, Heywood & Co, at 40 Portland Place, London W1, had complained of a letter from Mr Rubin to Sir Edwin McAlpine, of the building company, in December 1964, and they were each awarded £4,000. The letter referred to 'the type of practice' carried on by the accountants, and their 'high-handed action'.

Lord Denning (Master of the Rolls), who sat with Lord Justice Diplock and Lord Justice Salmon, commented 'I should have thought a reasonable sum of damages would not exceed £1,000'. Damages in a libel action should be compensatory and not punitive. In this case there was no evidence that the accountants' reputation, in the minds of others, had suffered.

The damages had been assessed by a jury.

A Company Owns Its Own Assets

IT is a trite piece of company law that the shareholders of a company do not own that company's assets. Similarly, it is a trite piece of revenue law that a person claiming an exemption must clearly prove that he is entitled to it. For this reason no company has hitherto embarked on litigation for the purpose of obtaining stamp duty exemption under section 42 of the Finance Act 1930 in respect of a transfer of an asset from one subsidiary to a sub-subsidiary of the same holding company. This is because the holding company is not the 'beneficial owner' of the issued capital of its sub-subsidiary. The fact is emphasized by the profits tax provisions on the definition of groups, where a company is *deemed* for those purposes to have a beneficial interest in the share capital of its sub-subsidiary.

This view of the law was confirmed in the High Court last week by Mr Justice Pennycuik in *Rodwell Securities Ltd v. C.I.R.* The taxpayer was the wholly-owned subsidiary of Rodwell Group Ltd, this company being the wholly-owned subsidiary of Rodwell London and Provincial Properties Ltd. The taxpayer took a conveyance of property from a fourth company - Sun Real Estates Ltd - which was also the wholly-owned subsidiary of Rodwell London and Provincial Properties Ltd. The taxpayer claimed exemption on the ground that its own share capital was also 'beneficially owned' by Rodwell London and Provincial Properties Ltd. The short answer to this

claim was that the taxpayer's own share capital was beneficially owned by Rodwell Group Ltd, i.e. by its 'father' and not by its 'grandfather'.

This rule, for long a cause of grievance, has now been changed by section 27 (2) (3) of the Finance Act 1967 which amends section 42 of the Finance Act 1930. (See leading article in *The Accountant*, August 5th, 1967.)

Inspection of Confidential Documents

SECTION 29 of the Solicitors Act 1957 requires the Council of The Law Society to 'make rules' with regard to the keeping of accounts by solicitors. Rule 11 of the Solicitors' Accounts Rules, made under section 29, requires a solicitor to produce documents for the inspection of any person appointed by the Council.

Mr Parry-Jones, a solicitor, issued a writ against The Law Society in connection with such a requisition made upon him. He argued that The Law Society could not require him, under Rule 11, to produce information which was the subject of an obligation of confidence between the solicitor and his client, but Mr Justice Buckley, in July, struck out the endorsement on the writ, on the ground that it disclosed no cause of action.

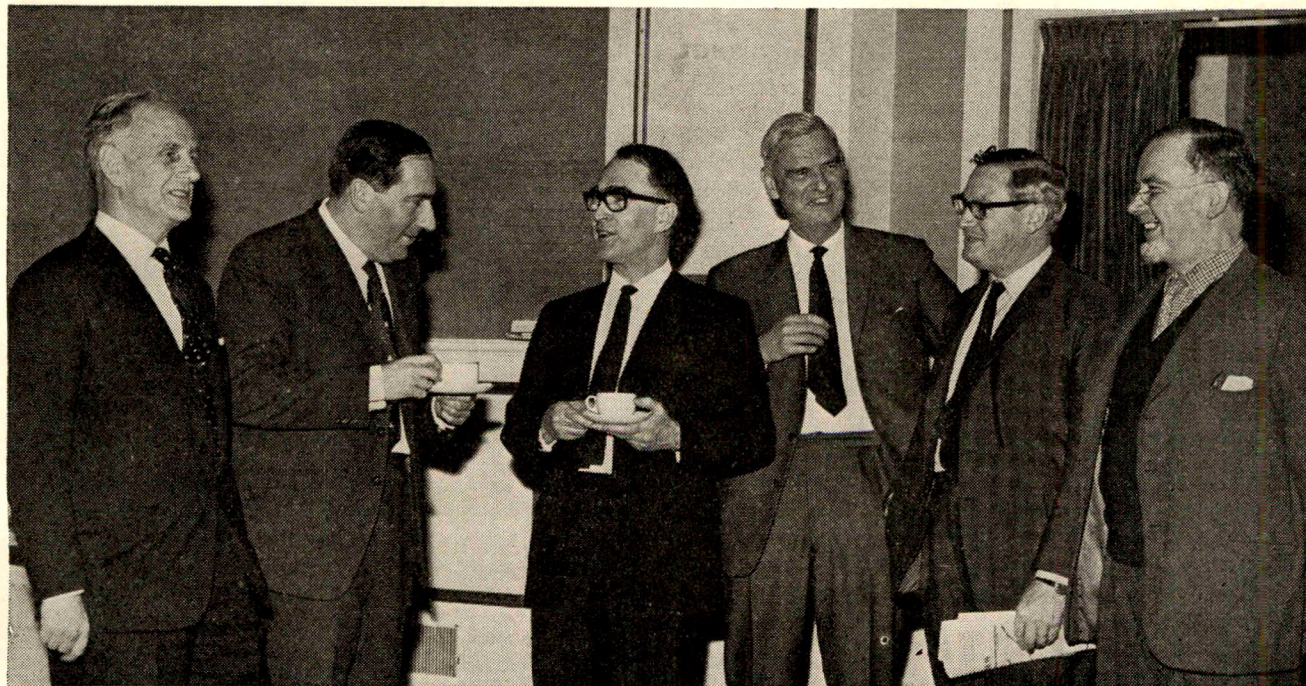
Mr Parry-Jones then appealed against this decision to the Court of Appeal, but that Court also gave judgment against him (*The Times*, November 16th). Lord Denning said that Rule 11 was a valid rule and it overrode any confidence or privilege which might exist between solicitor and client. Lord Justice Diplock said that the duty of confidence was subject to, and overridden by, the duty of any party to the confidence to comply with the law of the land. If that law required him to disclose a document, then he had to disclose it.



A three-day residential conference on 'Tax and the public company' was held by the London and District Society of Chartered Accountants at the Hotel Metropole, Brighton, on Thursday, Friday and Saturday of last week. Five papers were presented on 'International investment operations'; 'Finance Bills and Parliamentary procedure'; 'Changes in group structure'; 'Group reliefs', and 'Chargeable gains from land and buildings'. An important feature of the conference was the success of the various discussion group meetings.

Pictured above (left to right) are: Mr T. A. Tansley, F.C.A., Mr D. S. Morpeth, T.D., B.Com., F.C.A., two of the speakers at the conference; Mr Halmer Hudson, F.C.A., and Mr P. Sharp, F.C.A., conference advisers.

In the picture below (left to right) are: Mr G. H. Vieler, F.C.A., a conference adviser; Mr D. R. Gray, F.C.A., conference chairman; Mr Philip Lawton, a speaker; Mr D. Napper, F.C.A., Mr B. C. Birkinshaw-Smith, M.A., F.C.A., and Mr J. H. W. Mitchell, F.C.A., all group chairmen.



Merger Talks for Secretaries

THE Chartered Institute of Secretaries and the Corporation of Secretaries have announced that discussions have been opened between the two bodies on possible terms upon which a closer association between them or a merger could be arranged.

It is stated that the purpose of the discussions is to ensure that the highest possible standards of professional service are provided through both bodies for and by their members in the field of administration in industry, commerce and the public service, in the United Kingdom and overseas.

The Chartered Institute of Secretaries, founded in 1891, was incorporated by Royal Charter in 1902 and has a membership of 30,854; student membership numbers 21,921. The Corporation of Secretaries was founded in 1922 and has 11,597 members and 19,414 students.

O. & M. in the Revenue

THERE are, as many of our readers will know, over seven hundred Tax Districts and Revenue offices in Britain and apart from the large number of letters from the Revenue's twenty million clients, there is a massive inter-office mail. On the basis of sample data collected by the Inland Revenue O. & M. Division, it was estimated that the daily mailing and staff costs arising

from the latter correspondence over the year amounted to £410,000, to which had to be added the cost of envelopes – a further £13,000.

After a detailed survey and analysis of the inter-office mail, the O. & M. Division recommended the setting up of a centralized sorting scheme which, it was calculated, would produce a saving of over £230,000 annually, although an extra day would be added to the normal delivery time. It was felt, however, given the priority of this type of mail, that the delay was an acceptable price to pay for the prospective savings.

Starting with a pilot scheme, under which a limited number of districts sent all their mail destined for other tax offices to a central sorting centre, the O. & M. staff found that England and Wales could be divided up into ten selected geographical areas in which 30 to 40 per cent of the items sent out by a district would go to other districts in the same region.

To facilitate sorting at the sorting centre, each region, containing about sixty-five tax districts, was allocated a distinctive colour. The result was that, instead of having to double sort the incoming mail before dispatch, the bulk of it could be handled with only one sorting. With the success of the pilot scheme, the centre increased its coverage to handle the mail from 273 districts in South-east England and prepared for the extension of the scheme to the rest of England and Wales. The O. & M. Division are now



The annual dinner and dance of The Association of Certified and Corporate Accountants was held at Grosvenor House, London W1, on Monday of last week, with Mr John P. Landau, F.A.C.C.A., President of the Association, in the chair. Mr Landau proposed the toast of 'The Guests' and the response was made by Mr John Renwick, President of The Law Society.

Pictured above (left to right) are: Sir Robert Megarry, Q.C., a High Court Judge; Lady Megarry; The Viscount Brentford; Mr E. A. Lediard Smith, F.A.C.C.A., Vice-President of the Association; Mrs Lediard Smith; Mrs John P. Landau; Mr John P. Landau, F.A.C.C.A., President of the Association; Mrs John Renwick; Mr John Renwick, President, The Law Society; The Viscountess Brentford.

considering providing subsidiary centres for Scotland and Northern Ireland.

It is estimated, states the new issue of the Treasury's quarterly *O. & M. Bulletin*, in which this project is reported, that when the scheme is in full operation throughout the country it will effect a 25 per cent saving on the costs of distributing inter-office mail. From the viewpoint of the O. & M. Division, one of the most satisfactory features of this assignment has been the large saving achieved with so little expenditure of O. & M. time, due largely to the use of sampling techniques in the feasibility study which produced forecasts of reasonable accuracy.

C.B.I. on Devaluation

It is particularly important at the present time that the Government should enjoy the confidence of the business community. Judging, however, from the latest newsletter circulated by the Confederation of British Industries to its members, this is far from being the case. Assessing the impact of the devaluation and the consequent measures taken by the Government, Mr John Davies, Director-General of the C.B.I., strikes a far from optimistic note.

Commenting on the prospects for increased exports, he writes that the mounting of export campaigns adequate to take advantage of the present situation takes

This is My Life

by An Industrious Accountant

'WHAT'S all this fuss you're making about our contractors' insurances?' asked our maintenance engineer, with that forceful aggressiveness that he always displays when he feels unsure of himself. 'They're big shots in the business; they can pay for any damage they may do, though it's highly unlikely that they'll do any. What's the worry?'

With colleagues uninitiated into the insurance jungle the simplest answer is that it's not all that simple. Big shots our new contractors might be; big shots they would desirably continue to be; but broken reeds they might equally well be in eighteen months' time for all I knew. Would he stake his own personal career, I asked him acidly, on their future prosperity?

The engineer is essentially a man of action. 'Come on out', he invited, 'and look at the site. They're only going to open up the two rear walls and build an arcade. Come down to facts. Where's the problem?'

Personally I find I sit in my office chair for far too many hours a day, so a breath of fresh air was acceptable. A few minutes later I was climbing a long ladder to a thirty-foot-high platform amid interlaced scaffolding, meanwhile arguing with my guide about fire hazards and their likelihood or unlikelihood.

What about all this timber, for example, I insisted. And welding torches with inflammable paints and that hot asphalt stuff they spread on roofs. And bricklayers smoking pipes, against orders, next door to our textile stocks; and the risk of scaffolders dropping spanners from great heights on our customers passing below. The facts spoke for themselves. Adequate cover for fire and public liability was a 'must' for the contractors and their present figure of £10,000 was only chicken feed.

The engineer restrained himself with an effort. We carry our own insurance, don't we? he insisted. If some dopey customer is fool enough to stray about near the construction area, then it's their own fault. It's contributory negligence, like with motor-car accidents; but anyhow there'll be barriers and big warning 'keep out' notices. And supposing there was a fire, or some clown tripped over a plank – even if it could be proved to be the contractors' fault – our own insurance 'bods' would have to pay for it.

His expression became brashly triumphant. You're just getting us involved in double cover, he smirked. Why should the builders pay premiums against fire when we're paying the same premiums? That's just plain daft. In fact, he said, if he could be authorized to advise the contractors that we'd cover all risks ourselves – as we were already doing anyway, he could do a deal with them to reduce their charge for overheads and thus save us quite a bit of money.

There was enough basic intelligence in his argument to justify a clear exposition. I sat on a crossbar and explained that our own future premiums were likely to escalate sharply if our underwriters found themselves paying for a third party's negligence. *Uberrima fides* and all that, if he understood the phrase. Our underwriters must be able to counter-claim against the third party, and their surety for successful compensation was the third party's own insurance policy. Big shots had been known to misfire in the past, and underwriters had vanished like smoke in their time. Caution was essential.

The engineer's eye gleamed craftily. 'They've gone off to lunch while you've been laying down the law,' he observed, 'and the clots seem to have removed that ladder you came up on. Would you like to climb down the scaffolding with me, or will you wait up here till two o'clock? Of course, if it's too cold for you, I could probably tie a rope under your arms and belay you down slowly . . . it's not far to fall, anyway'.

Which goes to show that one's own office chair is the best strategic vantage point in conferences with the uncouth.

time and effort; they are not 'the flash reaction to a transitional advantage'. Nor is he sanguine about the prospects for containing home demand sufficiently either to restrain cost increases or to release resources for additional exports. Thus, he writes, 'the judgement one can make of the Government's measures does not indicate a very marked lessening in consumer spending, at least within the next six months'.

Mr Davies is severely critical of the combined effects on industry of the higher rate of corporation tax and of the loss of the S.E.T. premium and the export rebate. Superimposed on these he anticipates higher costs of imported raw materials, which he fears the Government will not allow industry to pass on in higher prices. On top of this, he asserts that the last industrial trends survey already gave signs of pressure on wage costs and he is sceptical that the Government will by its policies create conditions in the labour market compatible with wage restraint.

Summarizing his findings concerning the immediate prospects after the devaluation, Mr Davies writes that 'it is indeed difficult . . . to believe that industry is likely over the forthcoming eighteen months to two

years to find itself other than out of pocket on the whole deal'. He then reminds the reader that the weaknesses in the U.K. economy stem from the collective failures of recent Governments, not just since 1963. Without effective policies, however, these weaknesses cannot be remedied except by the adoption of a number of measures which he proceeds to enumerate. They include cuts in the level of public sector expenditure, tax changes designed to reward success and action to deal with intransigent labour. He feels that the Government cannot afford to wait any longer for the findings of the Royal Commission on Trades Unions and Employers' Organizations to deal with this grave problem.

It is impossible to disagree with much of Mr Davies's diagnosis of the present situation; it makes much the same points as were made in last week's leading article. If there are any differences of opinion, then they must centre on the assessment of export prospects. Provided these come up to expectations, much could change in the U.K. economy, provided the gains were neither dissipated nor pre-empted by the consequences of an inadequate incomes policy.

Devaluation – The 'New' Arithmetic

by WILLIAM PHILLIPS, F.I.A., F.S.S.

'Speaking in Paris [yesterday] Lord Chalfont denied repeatedly under pressure from American and French journalists that the British Government has any plans to devalue the £.'

Newspaper report, Saturday, November 18th.

REMEMBERING that just before the 1949 devaluation Sir Stafford Cripps had given a positive assurance that there would not be a devaluation and afterwards said that on such an occasion it was absolutely imperative to use the lie direct, it is surprising that at a time when every other member of the Government concerned with the financial crisis was throwing the City into chaos by refraining from answering any questions, it was not immediately recognized that this repeated denial was the exact opposite of the truth.

It is still more surprising that reputable newspapers (one being quoted above) should have printed an account of this Press conference – or at any rate should have printed it without adding –

'Clearly Lord Chalfont was doing a "Stafford Cripps". The conclusion to be drawn from his refusal to answer the question as to what effect a devaluation of the £ would have on Britain's candidature for membership of the Common Market because it was a hypothetical question and adding "There is no plan to alter the exchange rate of

the £ and therefore it can have no effect", is a clear indication that the £ will be devalued during this week-end.'

But so they did, and one of these newspapers carried a banner headline across the top of the first page of its financial section: 'THE GOVERNMENT'S DILEMMA – DEVALUATION – OR BIG BUT TOUGH LOAN,' as though it believed that we could get the second without agreeing to the first – or that the first would be of any use without the second. Well, as everyone knows now, the Cabinet had unanimously decided upon deflation on Thursday (the day before Lord Chalfont's repeated statement) – or so we are told (off the record – un-attributed?).

But the French were not deceived; all day that Saturday, Paris was refusing to give more than eleven francs to the £1, as against what had been the constant rate for several years past of 13.60 francs; and by the evening the much boasted and much advertised tourists' shops at Le Bourget Airport were refusing to accept sterling at any price.

Saturday evening

At about 9.30 on Saturday evening the Treasury announced that the £ was to be devalued from \$2.80 to

\$2.40. Now any intelligent schoolboy would have deducted the new figure from the old and, observing that 40 divides into 280 seven times precisely, would have said to himself 'So the value of the £ is now reduced by one-seventh everywhere outside the sterling area.'

But not the B.B.C.! They had twenty minutes before 'Saturday Night Theatre' ended, some ten minutes earlier than its scheduled 9.58 p.m., and then briefly gave the story of the devaluation in a news flash in which, having done some arithmetic on the wrong principle, they spoke of it as being a 14.3 per cent reduction of value. Such is the love lavished upon percentages in this decimal-infected country, that a simple fraction of one-seventh had to be metamorphosed into a percentage – 14.285714 (with all the decimal figures repeating) per cent, to be exact.

On the 10 o'clock news the B.B.C. was still talking about 14.3 per cent; did it occur to no one at Portland Place, even with time for reflection, that the reduction in value was precisely one-seventh? Is this love of expressing a simple fraction as a far from simple percentage, a manifestation of the 'new' arithmetic of which we have recently been hearing so much?

Sunday morning

All the Sunday newspapers seen by the writer fell into the 14.3 per cent trap as they began to discuss what would be the increased cost of buying foreign goods or services. Any intelligent schoolboy would realize at once that if the £ was worth one-seventh less, the purchase of francs, for example, would cost not one-seventh more but *one-sixth* more.

But not the newspapers! One of them, commenting that holidays abroad would be hit badly, said that 'the prices of package tours and winter sports holidays are likely to go up *about* one-seventh' (*italics supplied*). The 'about' is delicious! It is, of course, the result of converting the approximate 14.3 per cent of the inch-high headline into a fraction, necessarily only approximate! Passing up what one would have thought was the self-evident fact that only a part of the cost of a package tour has to be converted into foreign currency, that part would increase by one-sixth.

Our schoolboy, who has arrived at the fraction one-sixth instinctively, after a moment's conscious thought as to how to make the journalists understand, could have said: 'Look here, mister, suppose last week it would have cost you and your missus £42 to buy enough francs to pay for a week's stay at the Colossal Hotel on the Rue George V in Paris, next week you will want £49 to buy the same number of francs, because forty-nine *minus* one-seventh of forty-nine is forty-two; but the extra £7 is one-sixth of last week's £42.'

Similarly an importer told the newspaper – if the reporter is to be believed – that the whole of the 14.3 per cent extra cost would have to be passed on to the customer. He should, of course, have said 'the 16.6 per

cent extra costs' – ignoring the cost of shipping, which is a sterling expense.

One last bit of muddled thinking: even a Sunday paper which did a magnificent new front page between 9.30 p.m. on Saturday and the hour for putting that page 'to bed', as the printers say, perpetrated the ghastly error of saying –

'Hardest hit were travellers arriving at Heathrow Airport, London, who had not converted their currency into sterling. They were told by the banks: "No currency can be exchanged until the morning,"'

when, of course, they would be given £1 for every 11.66 francs, for example, instead of every 13.60 francs – the nicest possible way of being hard hit!

'Came the (Monday) dawn'

Apart from their arithmetic, one is not criticizing the Sunday newspapers. Kept in the dark until 9.30 on Saturday night they did a magnificent job in the few hours that remained before going to press – they might almost have been forgiven had they issued a broadcast 'No Sunday newspapers until noon.' But no, there they were on the breakfast table at the usual time.

It is a safe guess that those few hours of 'Saturday Night and [early] Sunday Morning' will never be forgotten by those on duty in Fleet Street. By Sunday night their morning newspaper brethren had had seven times as long to think about the one-seventh cut in value and had realized that only part – often the smaller part – of a package holiday had to be paid for in purchased foreign currency at an increased price.

Thus the price of a package holiday should rise, one newspaper suggested, by only 7 per cent; but not a holiday in Spain, it should be added, since the peseta was to be devalued by 16.6 per cent. Holidays in Spain and, of course, the Balearic Islands, will be marginally cheaper.

But the Monday newspapers were still talking about a 14 or 14.3 per cent, instead of a one-seventh reduction; and there was still some amusing 'arithmetic' put into print. Take, for example, the Rhine Army (which surely by now should be brought home). A married soldier is reported to have said that he and his wife needed to draw 150 marks of his pay and allowance and were thus able to save £2 a week. 'In future', he said, 'I shall only be able to draw 129 marks a week unless I raid my savings.' True enough; but then 'an unmarried lance-corporal' said that he had been drawing 70 marks a week, and instead of adding 'this will cost me one-sixth more of my British money', he continued 'I shall have to draw at least ten marks a week more – or cut expenditure.' No wonder he is only a lance-corporal if he really did talk such utter rubbish; but who was the sub-editor who allowed it to get into print?

Clearly accountants and statisticians must gird up their loins and prepare themselves to give some vital arithmetical education to the rest of the population during the next few weeks to save the whole nation from 'going bonkers'.

A PARIS CONGRESS PAPER

Budgetary Accounting – and its Prospects

by J. DONALD GREEN, F.C.A.

History of budgetary control

SYSTEMS of budgetary or financial control were in operation in the United Kingdom as far back as the late 1920s or early 1930s, by firms who must be considered as pioneers in the field. Most such businesses had associations with the United States where the techniques had developed earlier still.

The Second World War with its multiplicity of 'cost-plus' and 'return on capital employed' contracts for war-time production for Government departments, caused a basic change in the approach of accountants to costing systems. It was, thus, in the early post-war years that the accounting world in the United Kingdom turned its attention once more to the techniques of budgetary accounting.

At this time – in the late 1940s – there was a great drive for the introduction of standard costing methods and since these methods are essentially based upon the compilation of budgets of many sorts, e.g. labour hours, machine capacities and expense, the two subjects of standard costing and budgetary control became linked together. But those with extensive experience in the field were emphasizing that standard costing was not a necessary preliminary to the adoption of budget procedures, that the two were complementary, and that standard costing could be of great assistance to more accurate accounting *and budgeting*.

In June 1947, The Institute of Chartered Accountants in England and Wales published a report on the latest developments with the object of drawing attention to the new techniques and stimulating interest therein.

The early and middle 1950s produced numerous courses and conferences, organized not only by the accountancy profession but also by such bodies as the British Institute of Management, at which the kindred subjects of budgetary accounting and standard costing were regularly included in the programmes. It is probably from this period of exposition that the majority of those using budgetary techniques at the present time gained their first insight into its advantages. Thus for most concerns the development of systems has been confined to the last twelve years or so. What, then, has been achieved over this period?

Developments to date

(i) General review

There is now wide acceptance of the benefits of budgetary control systems. The general experience is that several

years are required to develop a system to the point where it is fully comprehensive and the budgets become an effective means of controlling the activities of an organization. In many organizations there is also a process of refining and improving the techniques after the main system has been installed.

The development of a satisfactory budgetary control system is seldom achieved without meeting and overcoming various problems. Since the effective use of budgetary control systems is bound up with the ability to analyse accurately the types and causes of budget variances, in any satisfactory system actual events must be accurately and fully recorded and evaluated. It appears that in many organizations, both large and small, deficiencies in the basic recording systems reduce the effectiveness of budgeting systems. However, in industries using large highly-automated production processes, the problem of obtaining fully comprehensive production information is often less acute and the increasing introduction of process control computers in large-scale manufacturing operations could do much to improve the recording of basic production data, although recording is not always a function of such machines.

Another common problem met by many small and medium-size organizations in their efforts to install effective budgetary control systems is the sheer volume of work in preparing, say, annual and monthly budgets and reporting monthly on actual performance compared with budget. This problem tends to be particularly acute in small organizations marketing a wide range of products or undertaking jobbing and contracting work. In some cases the problem is further aggravated by the tendency to deal with job and contract estimating as a completely separate function from that of budgetary control and management accounting.

However, recent developments in the computer field – where there has been a dramatic reduction in the cost of computer processing coupled with a large increase in the commercial use of computer facilities – are making an impact on the problem of handling large volumes of all types of accounting data economically. Several organizations are now using computers to store budget and standard cost information and to produce weekly and monthly reports, for various levels of management, comparing budget and actual results. The growing number of computer service bureaux in Britain should provide an opportunity for many small concerns to operate comprehensive budgetary control systems using computer facilities at an economic cost.

Many large organizations having well-developed budgetary control systems based on annual budgets, are giving

increasing attention to longer-term budgets, often for periods of five to ten years ahead. In spite of the imponderables and difficulties involved, these organizations are convinced of the necessity to devote considerable effort to long-term forecasting in order to maximize the future profitability of the organization. These forecasts usually form an integral part of the budgetary control system and set forth the principal targets of the organization, taking into account the possible future total market and share of market, the estimated development of the national economy, and political trends. It is in this field that economists and accountants are beginning to work together in forward planning teams, using computers for the processing of industry and company statistics.

To summarize, in large industrial groups or units and in the nationalized public utilities considerable progress has been made in the refinement of budgetary procedures and related control procedures, but most concerns are not satisfied with progress so far achieved. But these large groups or units, important as they undoubtedly are in the national economy, represent numerically but a small fraction of the industrial and commercial enterprises of the country. What has been said of the achievements of the giants in the United Kingdom cannot be said of the vast majority of the smaller concerns. Furthermore, developments in some major enterprises fall far short of those achieved by others. This situation will be reflected in the comments following in regard to developments in the different spheres of budgetary accounting.

(ii) Budget spheres

(a) Sales (revenue)

While it is almost certainly true that in most instances the foundation of a system of budgetary accounting is the estimated net sales of products or product groups, this is one aspect which has presented more difficulty than others.

For larger groups or units in some industries, this is less of a problem. In such concerns, wide use is made of market research facilities, and of statistics, such as those produced by the Board of Trade and particular industry research associations, and the interpretation and projection of these by qualified economists. Some of these developments are relatively in their infancy so that in some cases the forecasts have proved to be wildly out, but this should not be allowed to detract from the value of the advances which have been made in forecasting techniques. These are assisting materially in forecasting for much longer periods ahead than was contemplated some twelve years ago. Then, sales forecasts for a year ahead were quite the accepted standard.

The importance of, and the difficulties involved in, longer-term sales forecasts varies widely from one type of industry to another. In most highly-automated and capital intensive industries there is a need to look further ahead than in other industries, if such organizations are even to have the chance of making the right decisions at the right time.

But for many medium-sized concerns sales forecasting is at present not on a very scientific basis. The method may vary between taking the latest available period sales results and adding a percentage for expansion, and detailed estimates of salesmen's individual turnover figures.

The process of educating sales management in the production of realistic and detailed forecasts (upon which budgets will be compiled) goes on continuously, with

improvements in the degree of sophistication in the techniques used. In this operation a clear distinction must be drawn between sales targets (set for individual salesmen) and sales forecasts. These are not necessarily always the same since the former may be linked with individual incentive. But for most medium-sized businesses forecasting for a year ahead remains the limit, although it is a fact that some businesses do prepare forecasts by up-dating the forecast for twelve months ahead, either monthly or quarterly. However, longer range forecasting is still something to be aimed at in the uncertain future.

(b) Production budgets

Production and sales budgets are usually very closely linked. Sales volumes are normally considerably influenced by prices, and prices in the long term must reflect production costs. With technological progress accelerating rapidly, an increasing number of industries are becoming capital intensive and production volumes have a decisive influence on unit product costs.

In these circumstances, detailed and accurate knowledge of plant capacity and the behaviour of product costs at various levels of activity and in respect of various product mixes becomes increasingly important.

In some organizations, for example some of the large companies in the food processing industry, reliable and accurate production budgets can be compiled for and are very necessary for varying levels of activity and there are highly-developed systems for the measurement and comparison of actual production costs achieved with budgets.

In other organizations, however, there is scope for the development of realistic production budgets. Process and operation standards are often loosely defined and in some types of manufacture there is a difficult problem of keeping standards up to date. This, of course, makes it difficult to give to management adequate explanations of causes of variances and tends to bring the systems into disrepute. Inaccurate standards also add to the problem of forward scheduling of operations and machine loading. Also in many cases the lack of adequate facilities for the recording and analysis of basic production data means that the effects of volume and mix changes cannot be predicted with any degree of assurance.

Whilst it is true that the increasing availability of computer processing facilities will help many concerns with these problems, the task of providing accurate and comprehensive basic data will remain to be dealt with by production engineers and accountants.

Production budgets will, of course, take into account the inventory requirements of the business and will in turn determine material purchase budgets and labour budgets. Also the production budget will in many cases indicate the necessity to augment certain production facilities or even to install new types of plant. In yet other cases it may be necessary to reorientate sales effort to meet production capacity in the short or medium term.

(c) Expense budgets

When sales and production volume forecasts have been completed they can be evaluated, and part of this process involves setting expense budgets in respect of promotional and selling expenses, production expenses and general administrative expenses.

In recent years, with the increasing pace of technological

development and the trend towards fewer and larger production units, the proportion of total cost directly attributable to products is tending to reduce, and both the proportion and absolute cost of indirect expenses is increasing. Budgets of production, administration, selling and distribution, indirect expenses are therefore assuming, in many cases, increasing importance in the overall company budget.

This appears to indicate a need in many organizations for a detailed study of the main factors affecting the level of each type of expense, and in particular the extent to which various changes in sales and production levels result in changes in expense levels. To be fully effective, this type of study requires a pragmatic approach, and the crude and arbitrary division of expenses into fixed and variable classifications which is quite common can result in very misleading information being produced. It is quite probable in many cases that when such a study of the behaviour of expense levels has been completed, the desirability of changing and re-grouping some of the conventional subjective expense headings will become apparent, in order to facilitate realistic flexing of budgets to match the level of activity achieved.

Although a great deal has been written and said on the subject of flexing of budgets, the practical difficulties thereof seem to have deterred most concerns from adopting the technique.

For many concerns the additional accounting work of compiling and using flexed budgets has proved an obstacle, whilst in other cases the inadequacy of measurement of activity levels and lack of precise information on factors affecting expense levels has inhibited the use of flexed budgets.

It is also possible that whilst the subject of flexible budgeting is well known, the value of the technique is not fully appreciated as providing a measure of what should have been achieved in the circumstances actually prevailing in a particular period instead of those envisaged at the commencement of the budget year.

(d) Capital expenditure

In recent years considerable attention has been given to budgeting for capital projects. For instance, in the nationalized gas industry the Gas Act 1948, under which the industry was nationalized, called for a proper assessment of capital projects and approval by the appropriate Minister in the Government. Thus, in each year a capital development programme is prepared and submitted to the Minister. This programme covers the year current at the time of submission and a period of five years ahead.

The programme has to be supported by elaborate statements for the period of five years ahead covering such matters as demand for gas, raw material requirements, production capacity, analysis by type of the capital investment for each of the programme years, capital finance and revenue budgets.

While, in the case of the gas industry, this is, in effect, a statutory requirement, it reflects the kind of capital expenditure forecasting that is being developed on an ever widening scale.

In highly-automated industries, the cost of capital equipment and frequently the time necessary for procurement have made it essential that the value of the proposed investment and the best method of financing the cost should be carefully assessed. Furthermore, the higher the degree of

sophistication in equipment, the greater the possibility of obsolescence having to be taken into account.

The majority of businesses with extended capital expenditure budgets adopt as a standard for justification the return on capital employed and this is the standard set for the nationalized utilities.

Lately, however, 'discounted cash flow' as a technique has tended to supplement older and less accurate methods of calculating return on capital employed.

(e) Cash forecasting

Those who, in the early 1950s, were advocating the use of budgetary techniques were at the same time explaining the preparation, use and advantages of fairly elementary cash forecasting.

These techniques, which seldom covered more than one year ahead, were adopted in some cases, but the advice was widely ignored. This was unfortunate and it is likely that there is some connection between this fact and the considerable number of cases of over-trading, sometimes with disastrous results.

But more recently, the main industrial and commercial concerns have come to appreciate the vital necessity for an accurate forecast of the cash flow in order to maintain viability and to ensure adequate profitability.

With this consciousness has come the use of more scientific techniques, including 'discounted cash flow'.

Future developments

(a) Short term

As has been shown earlier, the pattern of development of budgetary control systems in the United Kingdom is at present very mixed. Whilst there are many organizations which have been operating effective and comprehensive systems for many years now, at the other end of the scale there are a great number of concerns (not all small) who still only produce annual or half-yearly accounts giving actual results. Yet other concerns produce monthly accounts, and in many cases operate standard cost systems in some form, but have not yet developed budgetary control systems.

There are many reasons why numerous concerns have not developed adequate budgetary control systems. In many small organizations, the cost of operating accounting services of all kinds is kept to a minimum and the introduction of budgetary control would undoubtedly involve considerable strengthening of the accounting organization. There is also the tendency of many managements to continue the use of comparison with previous years' results as the main yardstick. The limitations of this approach are well known.

From the foregoing it will be evident that there is vast scope in the immediate future for the introduction of budgeting systems where none exist now, and for the fuller development of many existing systems.

Many large-scale organizations operating comprehensive budgeting systems have already found that the volume of recording, analysis, calculation and printing work involved, has compelled the use of mechanical systems. In some cases extremely detailed nominal ledgers are maintained on magnetic tape computers which provide for all the necessary budget and actual comparisons, and provide speedy and

accurate presentation of results at frequent intervals. This approach, adequately planned and systematically developed, is one to be commended and one which an increasing number of concerns of all sizes are likely to adopt over the next few years. It represents a complete departure from the traditional hand-written nominal ledger containing accounts in alphabetical order, and the separate hand-written cost ledger.

As previously mentioned, another factor having a vital bearing on the operation of effective budgetary control systems is the adequacy or otherwise of data and information flowing from the operational departments of a business to the accounting organization. In a great many organizations the availability of full and accurate information on such matters as production achieved and levels of stock and work in progress held is very unsatisfactory. Where this is so, system development in the immediate future should obviously be aimed at improving the data input situation as the first priority, since advanced budgetary control techniques applied to inaccurate or inadequate data will give satisfaction to no one.

(b) *Longer term*

(i) *Use of mathematics*

In the detailed application of budgetary techniques, a great deal has been said and written lately in connection with the use of mathematics both in management decision making and in budgeting.

This paper does not seek to set out in detail how and where the use of mathematical methods are appropriate but it may be interesting to refer briefly to the use of one or two such methods, particularly since the wider use of computers contemplated over the next decade will make possible the carrying out of the lengthy calculations frequently involved in the techniques.

(a) *Linear programming*

In budgeting for the most efficient use and development of various types of assets, considerable use is already being made of linear programming. The technique is extensively used, for example, in the ascertainment of the most economical movement of oil tankers at sea and for optimizing the mix of by-products in the chemical industry.

It offers scope, in addition, for establishing the most profitable allocation of available capital as between, say, new equipment, advertising and product development.

(b) *Queuing theory*

One of the most common types of problem encountered in industry and commerce is the queuing problem. This arises, for example, in relation to estimating the effect on sales of changes in delivery periods brought about by increasing or decreasing production facilities and/or stock levels. In practice the number of factors and alternatives involved in the problems make it difficult for a completely analytical method of solution to be used, so that simulation techniques have to be employed in addition.

Other mathematical techniques playing an increasingly important part in business decisions are network analysis, exponential smoothing. The foregoing and kindred methods require the use of

skilled mathematicians and most small and medium-size businesses shy at the prospect of employing such. Does the answer to this lie in the establishment of mathematical service bureaux linked, probably, to computer bureaux?

(ii) *Operational research*

Already almost all large industrial and commercial groups have an operational research unit either on its own or as part of a research and development group.

Valuable work is undoubtedly being done in this field and research therein continues in the universities, but its contribution to budgetary methods may well be over-estimated by some. The reason for this is that operational research can only determine the best course to follow in so far as those concerned have been successful in identifying and defining all the relevant variables within a given situation.

It must be understood that this is what limits the mathematical programming though progress is being made in the development of models of increasing complexity. Because this seems to have produced an urge for mathematical refinement for its own sake, it may be increasingly necessary to impose on the mathematicians a sense of responsibility in the decisions which are being taken on the basis of the information produced by them.

(iii) *Statistics*

Increasingly, industry and commerce is becoming aware of the usefulness of statistics, particularly in forecasting. The Board of Trade compile and issue regularly statistics over a wide field of industries but increasing attention will, undoubtedly, be given to specific industry statistics, and the relationships between these and statistics on the national economy.

The essence of the use of statistics is the drawing of useful and meaningful comparisons from the figures, since tables of facts shown in isolation are of little value. Adequate statistical information is a prerequisite for the application of various mathematical methods such as regression analysis and exponential smoothing in predicting trends and making forecasts.

Much remains to be done in producing comprehensive and up-to-date national and industry statistics, and trade associations could well have an important role to play in connection with industry statistics. Improvements in the availability of national and industry statistics would lead to more widespread use of statistical methods in forecasting, which in turn would tend to develop formal longer-term forecasting as a normal business method. At present far too many businesses make little use of those statistics that are available and relevant to business forecasting.

(iv) *Economic planning*

One of the more important developments to be expected over, say, the next decade, is in what is commonly described as 'economic planning'. Essentially, this involves forecasting the development of a business in all its aspects over an extended period up to, say, ten years. In most statutory undertakings this is already a requirement by law, but the large industrial groups are turning serious attention to the matter and developing the technique.

As is right, this will involve a large measure of co-

operation and understanding between accountants and economists. For accountants, it will become necessary to learn something of the factors in which economists deal and quite a bit about the mathematical methods used. Some of these methods are complicated and involve vast numbers of calculations, beyond the capacity of conventional equipment, but the advent of computers with their very high-speed calculating capacity has brought these techniques within reach of all large-scale enterprises.

Much of the work in this field is based on the use of mathematical models, generally, in a form called 'computable models'. This is to say, the reduction of a problem to a mathematical description so that it may be simulated on a computer and then manipulated to provide forecasts based on the factors stored in the computer.

Probably one of the most significant pieces of experimental work of this nature is that undertaken in the Department of Applied Economics in Cambridge for the last six years or so, under the guidance of Professor Richard Stone, the P. D. Leake Professor of Finance and Accounting. Here a group have developed a computable model of the national economy which has already reached the working stage, but in a prototype form subject to continual improvement. The model has been set up for the year 1970.

That such a model has ever become a practical possibility must largely be due to the development of high-speed computers and it is from this development that arises the possibilities of extended use of this technique for the examination of future possibilities over a wide range.

Similar studies over parallel fields will be undertaken by the new graduate schools of business and so it seems reasonable to assume that the techniques will be understood and used by an ever-increasing number of economists, and, let us hope, by accountants also.

With the introduction of large and powerful computers into some universities and in service bureaux, is it unreasonable to assume that models of the economy of particular industries will be produced and stored in computers where they can be accessed on a 'time-sharing' basis by subscribers? 'Time-sharing' computer installations are as yet relatively few in number, but considerable development has taken place in the United Kingdom and it must surely be only a question of time before the advantages are appreciated and before such current transmission difficulties as remain are overcome.

This would be an excellent start, but would it be enough? Businesses in an industry where overseas competition is a factor will require access to a 'model' of the national economy for the countries concerned if they are to assess properly the effect in such competing countries of production costs and 'inflation'. Is such a notion beyond the realm of possibility? To many observers, the French *Plan Général* is already considerably in advance of those of the United Kingdom. Might this not be extended commencing, for instance, in the countries of the Common Market or the European Free Trade Association and then spreading to others for the ultimate benefit of all?

The establishment of any national economy computer model on an extended basis is likely to have to be developed by a government agency because of the magnitude of the task. If such were undertaken, could it not also embrace the national economy models of any other countries for which such were available? From the comparison of national statistics and information, many useful indices could be created which should be of great value in long-range

forecasting, particularly where international competition is an important factor.

Conclusion

Whether accountants like the change or not, there seems little doubt that budgetary control will in the not distant future involve the quite extensive use of mathematical techniques, statistics and economics. But does it necessarily follow from this that all accountants must be expert in all these fields? It is suggested that this is not so. Is it not reasonable to hope and expect that there will grow up alongside accountants a race of mathematicians and econometricians who will each have their special contribution to bring to the problems of forecasting and budgetary accounting? It will remain for the good accountant, as the most suitable person, to bring together all these skills and to direct and exploit them to the best overall advantage in the interest of increased economic efficiency.

There seems little doubt that after a somewhat static period of development, budgetary accounting and control is once more entering upon a period of change. Computer facilities within the reach of a much larger number of concerns, either by direct operation or on a service bureau basis, are likely to make the handling of large volumes of recording, analysis, calculation and printing work possible.

Long-term forecasting is going to be extended over a wide range of industries and with it the extensive use of statistical and mathematical techniques and 'computable models'. Government and industry statistics will play an ever-increasing part in this development, as will such things as the computer models of the national economy and the economy of particular industries.

Accountants must not fear these developments or the new skills which have been introduced in connection therewith. They present a stimulating challenge which, if adequately met, will leave accountants as those best qualified to gather together these skills in the service of industry and commerce.

AUTHOR'S POSTSCRIPT

Since the foregoing paper was prepared for the Congress as long ago as 1965, changes in the economic situation in the country have been experienced such as were never contemplated two years ago. The 'squeezes' imposed from time to time have given rise to a changing trend in both revenue and expense which has varied quite considerably between different industries. A fairly common result was a revision in budgets for 1966 and 1967, while not amending so significantly the forecasts for subsequent years.

In many cases, events showed that the impact of the 'squeeze' was experienced rather later than was at first expected, and until the recent events of the week-end of November 18th-19th, it seemed that recovery would be delayed somewhat beyond the time generally anticipated. Further 'squeezes', devaluation and the withdrawal of SET and export premiums will have thrown long-term forecasts into considerable disarray.

It is to be hoped that the uncertainties of long-term forecasting caused by current difficulties will not inhibit the further development of this technique, the value of which is considerable in so many capital intensive industries.

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Dividend Rate in the Strategy of the Company

by M. G. WRIGHT, B.Com., A.A.C.C.A., F.C.C.S.
Senior Lecturer, The Polytechnic School of Management Studies

THE setting of the appropriate dividend rate for a company requires the consideration of a number of factors, the two most important being the company's cash needs and the effect of the dividend level paid on the value of the shareholders' investment.

It has been generally assumed that these two factors are mutually exclusive and, as a result, it is found in practice that companies tend to establish a percentage of earnings paid out as the relevant dividend rate. Short-term fluctuations in the level of earnings and a desire to maintain an established dividend may lead to deviations from this norm, but over a period of time the directors will try and maintain the percentage of earnings paid out in the past.

Adjustments to pay-out percentages due to the take-over battles of the fifties and to the effects of the 1965 Finance Act may obscure this fundamental conservatism towards dividends, but in stabilized economic and fiscal conditions one can expect to see such tendencies reasserting themselves. As United Kingdom companies settle down to the new tax regime, directors may well ask themselves these two questions – 'Is there a "right" level of dividend for my company?', and 'Is the apparent conflict between the cash needs of the company and the shareholders' interests a real one?'

Cash need/shareholder conflict

The apparent conflict of the company's cash needs *versus* shareholders' interests arises from the simple assumption that if earnings are paid out as dividend, then this will *reduce* the funds available to the company for investment within the company. Is this assumption a real one, or is there a more subtle relationship between the two factors than is generally recognized?

The company that is growing at all will have a continuing need for the investment of funds in the business. This growth may be financed by one or more of the following sources of funds: new shareholders' funds, borrowing, and retention of earnings. A proportion of earnings is usually automatically retained, the justification for this being that it is financially prudent to do so, and that the retained earnings will earn a return and so increase future earnings (whether this is realized in practice is open to question but this is not the concern of this article). The limitation to the proportion of earnings retained is the adverse effect that a low or nil dividend rate would have on the

price/earnings (P/E) ratio, and the increasing vulnerability to a take-over bid.

While investors are placing much more emphasis on the P/E ratio in their investment decisions along the American pattern, it is likely that the dividend rate will continue to play a significant, if minor, role in determining the share price and hence the P/E ratio itself. It is still possible, therefore, to put forward the proposition that the P/E ratio is sensitive to movements in the proportion of earnings paid out as a dividend.

Let us next consider the effect that the P/E ratio has upon the company that wishes to raise new shareholders' funds or to issue its own shares in a take-over bid. The higher the P/E ratio, the lower will be the number of new shares which must be issued for a given consideration or, put another way, the higher the P/E ratio, the greater the amount of funds that can be raised by the issue of a given number of shares.

While it is true, therefore, that the effect of a higher dividend rate will be initially to decrease the funds available to the company for further investment, the ensuing increase in the P/E ratio may result in the availability of new funds being increased to an extent that will more than offset this initial decrease. If one is to be able to set out a dividend policy which will maximize the company's funds availability at least cost, one must be able to measure the relationship between the cost of the increased dividend and the resulting increase in the availability of funds.

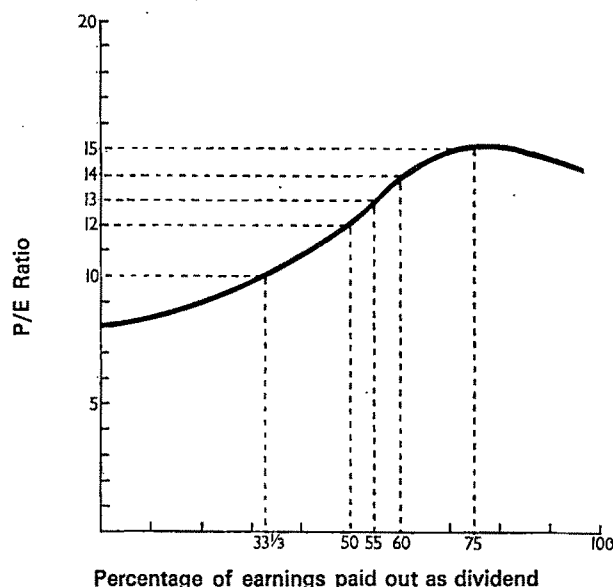
Measuring effect of increased dividend on P/E ratio

A possible technique for the measurement of the return on an investment in an increased dividend is provided in the July/August issue of *Harvard Business Review*¹. The first stage in the process is an assessment of the effect that varying percentages of earnings paid out as a dividend have on the P/E ratio. The result of such an assessment may be a relationship illustrated in Figure 1 for X Ltd.

The basis of the data is that a nil pay-out would result in a P/E ratio of 8. As the pay-out percentage rises, the P/E ratio increases until the point is reached where 75 per cent of earnings are paid out as a dividend,

¹ 'Investing in a dividend boost' by Gary E. MacDougall, *Harvard Business Review*, July-August 1967.

Figure 1

RELATIONSHIP BETWEEN PAY-OUT PERCENTAGE AND
P/E RATIO FOR X LTD

when the P/E ratio will have increased to 15 where it will be at its highest. If the pay-out percentage is increased above this figure there may be fears for the financial stability of the company which would tend to reduce the P/E ratio. The shape of the P/E ratio/pay-out curve will vary from company to company, and that shown in Figure 1 should only be taken as a generalization.

Let us now assume that X Ltd has earnings of 2s 6d per share, of which 33½ per cent is paid out as a dividend, i.e. 10d per share. The P/E ratio for X Ltd will be 10 and the share price 25s. If the company increases the pay-out percentage to 60 per cent or 1s 6d per share, then the P/E ratio will increase to 14, giving a share price of 35s. If X Ltd has a million shares at issue, then the cost of the increased dividend will be 1 million × (1s 6d – 10d) = £33,333. The increase in the capital value of the company will be 1 million × (35s – 25s) = £500,000.

From the data shown in Figure 1, it should now be possible to calculate the cost to the company of moving the P/E ratio up by one point at any pay-out rate. For example, if the company is currently paying out 50 per cent of earnings as dividends, it will have a P/E ratio of 12. To increase this to 13 it would have to increase the pay-out percentage to 55 per cent, or an increase in dividend from 1s 3d to 1s 4½d per share. With a million shares this would cost an extra 1 million × 1½d or £6,250, and would increase the share price from 30s to 32s 6d and the capital value of the company by £125,000.

Application of method in practice

Let us now assume that X Ltd was contemplating issuing new shares to the extent of 10 per cent of the number already issued for use in a merger or acquisi-

tion project or to raise new capital. If it is paying out 50 per cent of earnings then it could afford to pay up to £12,500 for increasing the P/E ratio by one point. Ten per cent of the current issued capital would amount to 100,000 shares; the increase in the P/E ratio from 12 to 13 adds 2s 6d per share to the share price, or on the 100,000 new shares a value of £12,500. If the cost in increased dividends to move the P/E ratio by this one point is greater than the resulting increase in value of the new shares, it would not be acceptable.

From the above it can be seen that the higher the proportion of existing capital that the new shares represent, the more the company can afford to pay in increased dividends. This relationship between the proportionate increase in capital and the cost of the increase in dividend can be expressed in a break-even chart as shown in Figure 2.

Dividend return on investment

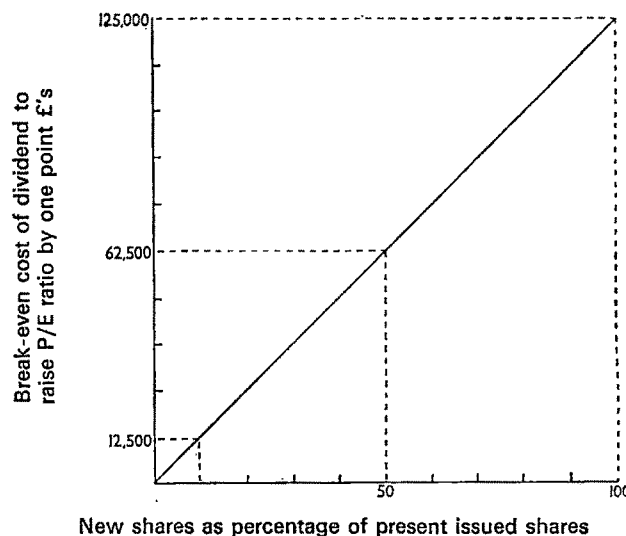
If the use of funds to increase a dividend is to be assessed as an alternative to the use of funds for internal investment within the company, then one must have a basis for comparing the return on each. Internal investment will be evaluated by means of a technique such as discounted cash flow. How can one arrive at a comparable assessment of the return on an investment of funds in an increased dividend? Mr MacDougall suggests in the *Harvard Review* that the basis for this is provided in the following formula:

$$\frac{\text{Increase in value of shares to be issued} - \text{Cost of investment}}{\text{Cost of investment}} \times 100 =$$

Return on investment.

In essence this involves expressing the increased value of the shares to be issued over and above the cost of the increased dividend as a percentage of that

Figure 2

BREAK-EVEN DIVIDEND INVESTMENT TO RAISE P/E
RATIO BY ONE POINT FOR X LTD

cost. If we assume that X Ltd is proposing to issue 60,000 new shares against the one million already issued and has a P/E ratio of 12 with a 50 per cent pay-out ratio, i.e. a dividend of 1s 3d per share, then:

- (a) Cost of raising P/E one point: $1\frac{1}{2}d$ per share \times 1 million shares = £6,250.
 (b) Increase in value of shares to be issued: $60,000 \times 2s\ 6d = £7,500$.
 (c) Return on investment: $\frac{7,500 - 6,250}{6,250} \times 100 = 20$ per cent.

In his article Mr MacDougal has suggested that where it is anticipated that new shares will be issued each year, then *future* issues can be brought into the calculation by means of discounting techniques. The point that so far seems to have been missed in the

development of the technique is the continuing liability to maintain the increased dividend rate. The company which raised its dividend rate for one year only, in order to increase the P/E ratio for the purpose of reducing the cost of an acquisition, would quickly find that the effect of future increases in dividend on the P/E ratio would be minimal.

If the technique is to be used in a sensible way as a part of the overall financial strategy of the company, the cost of increasing the dividend must be considered as a continuing stream of dividend payments which would require to be discounted to a present value. A time limit may be put on the continuing stream since future normal increases in dividend may be forgone until the pay-out percentage has reverted to its original level. This limiting factor will, of course, vary from company to company.

Taxation Cases

Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'

Minister of Labour v. C. Maurice Company Limited

In the High Court of Justice - (Queen's Bench Division) October 18th, 1967

(Before the Lord Chief Justice (Lord PARKER OF WADDINGTON), Lord Justice SALMON and Mr Justice WIDGERY)

Selective employment tax - Refund - Laying and reinforcing cables - Whether distribution - Whether construction - Selective Employment Payments Act 1966, sections 2, 3, 10 - Standard Industrial Classification, minimum list headings 500, 602.

The company had two establishments, at which work consisting largely of the laying and reinforcing of cables was carried on. The company also replaced and repaired cables, but repair work was comparatively small.

The company claimed refund of selective employment tax under section 2 of the Selective Employment Payments Act 1966, on the ground that its work was for the most part distribution within Minimum List Heading 602. The Minister contended that the company's activities consisted of providing the means of distribution, and not distribution itself; that they came under heading 500; and so did not qualify for refund. The Industrial Tribunal decided in favour of the company.

Held: the Minister's contention was correct.

Herdman v. Commissioners of Inland Revenue

In the Court of Appeal in Northern Ireland April 19th, 1967

(Before the Lord Chief Justice (Lord MACDERMOTT), Lord Justice CURRAN and Lord Justice McVEIGH)

Income tax - Transfer of assets abroad - Transferor then resident abroad - Debt due to him for transferred assets - Transferor receiving payments after becoming resident in United Kingdom - Whether transfer must be by resident individual - Whether tax within the section includes repaid tax - Transfer not for tax avoidance - Whether associated operations can give power to enjoy income from transferred assets - Income Tax Act 1952, sections 412, 413.

The taxpayer was the controlling shareholder in a Northern Ireland company (the N.I. company), and until May 1949, he was resident in the United Kingdom. In that month he went to live in the Republic of Ireland, and became a non-resident of the United Kingdom. Since October 1953, he had been resident and ordinarily resident in both the United Kingdom and the Republic of Ireland.

In March 1951, the taxpayer caused a company (the R.I. company) to be incorporated in the Republic, and later in the year he sold to that company a property in the Republic, and certain farm stock and machinery, and 30,000 preference and 29,000 ordinary shares in the N.I. company for £86,917. The purchase price was satisfied by the allotment to him of 6,000 £1 shares in the R.I. company, the allotment of 4,000 shares to the trustees of a trust for his son, and the balance of £76,917 was left owing to the taxpayer. On December 31st, 1954, the taxpayer transferred 2,000 shares in the R.I. company to the trustees, and that made the trustees the majority shareholders. The taxpayer was the chairman of the company, and was in control of its policy.

The R.I. company received substantial dividends from the N.I. company, and these were virtually its whole income. The R.I. company was repaid, under the double taxation agreement, the tax deducted from the dividends. The R.I. company paid no dividends during the years under appeal,

but paid to the taxpayer sums totalling £15,676 in reduction of the debt due to him.

Assessments to income tax for 1953-54 to 1957-58 were made on the taxpayer pursuant to section 412 of the Income Tax Act 1952. He appealed on the grounds (1) that the transfer of his shares in the N.I. company had been made at a time when he was not resident in the United Kingdom, (2) that the dividends received by the R.I. company from the N.I. company had borne tax within the meaning of section 413, although the tax was subsequently repaid, (3) that the transfer of the shares had not been made to avoid United Kingdom tax. The Special Commissioners decided the third contention in his favour, but that certain associated operations brought the case into section 412.

Held: (1) it was immaterial that the transfer of the shares had been made while the taxpayer was non-resident, (2) the dividends had not borne tax, (3) as the transfer of the shares had not been made for the purpose of tax avoidance, the case was not within the section because of the associated transactions.

Minister of Labour v. B.K.S. Air Transport Limited

In the High Court of Justice – (Queen's Bench Division)
October 26th, 1967

(Before the Lord Chief Justice (Lord PARKER OF WADDINGTON), Lord Justice SALMON and Mr Justice WIDGERY)

Selective Employment Tax – Refund – Air service undertaking – Establishment for reservations and bookings – Whether non-qualifying activities – ‘Purpose of administration’ – Offices, Shops and Railway Premises Act 1963, section 1 – Selective Employment Payments Act 1966, sections 2, 10 – Standard Industrial Classification, minimum list heading 709.

The company operated air services, and had three establishments in different places in England. One was for the purpose of recording reservations and effecting bookings and in making arrangements to ensure that the company's aircraft could go to places for which bookings had been made. There were thirty-seven persons employed in this establishment, and sixteen were admittedly engaged in non-qualifying activities. Of the remaining twenty-one, three women and nine men were employed on the reservation side, and there were three release controllers, who arranged flights and ensured that flights were not overbooked. The remaining employees were commercial employees dealing with tariffs and Government requirements and arrangements with other airlines, and sales staff dealing with promotion, advertising and publicity.

The Minister contended that the reservation staff were engaged in non-qualifying activities, in that they were engaged in purposes of administration and therefore in office purposes within section 1 of the Offices, Shops and Railway Premises Act 1963, as applied to the 1966 Act by section 10 thereof. The Industrial Tribunal decided in favour of the company.

Held: the reservation staff were engaged in non-qualifying activities because ‘administration’ in the definition of ‘office purposes’ in the 1963 Act included the administration of the company's air services as well as the administration of its internal affairs; and that as the reservation staff, when added to the other non-qualifying staff, were in the majority, the claim to a refund failed.

Minister of Labour v. Southam News Services of Canada

In the High Court of Justice – (Queen's Bench Division)
October 19th, 1967

(Before the Lord Chief Justice (Lord PARKER OF WADDINGTON), Lord Justice SALMON and Mr Justice WIDGERY).

Selective employment tax – Refund – Canadian company with office in England – Journalists collecting news and items from publications – Sent to Canada for publication – Whether printing and publishing – Whether part of larger establishment – Selective Employment Payments Act 1966, section 1 – Standard Industrial Classification, minimum list headings 486, 879.

Southam Press Limited, a Canadian company, had an office in London, at which an activity called Southam News Services of Canada was carried on. The office was staffed by three journalists, whose work consisted of collecting news and extracting items from publications and sending the material to Canada. Such part as Southam Press Limited decided to use was published there.

It was contended for the respondent that the activity carried on in the office in London was that of a printer and publisher within Minimum List Heading 486. It was contended for the Minister that the activity in question was solely that carried on in the London office; and that that activity was the rendering of services. The Industrial Tribunal decided in favour of the respondent.

Held: the material collected by the three journalists in London went before an editorial board; their activity was separate from the printing and publishing work of the company, and was not an activity within Minimum List Heading 486; and that, therefore, the claim to a refund failed.

Minister of Labour v. Tyne Tugs Ltd

In the High Court of Justice – (Queen's Bench Division)
October 27th, 1967

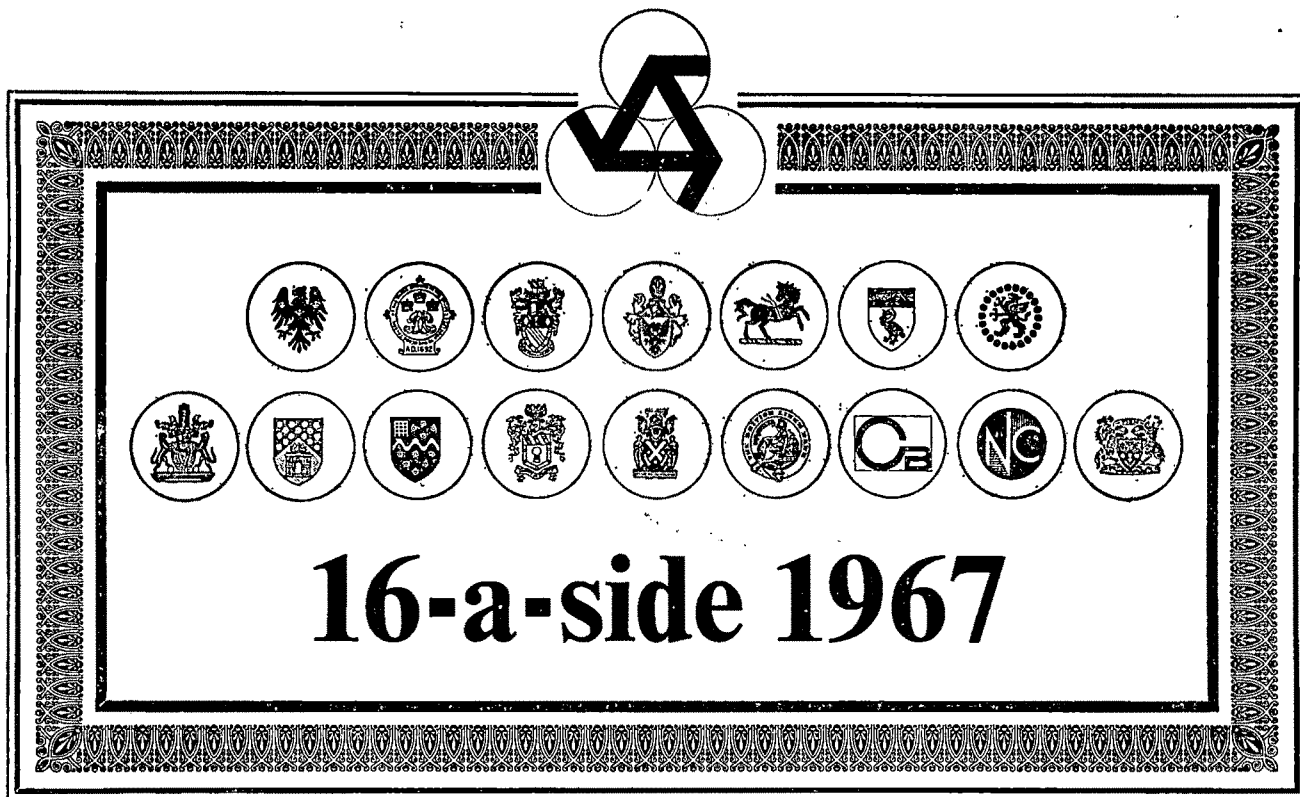
(Before the Lord Chief Justice (Lord PARKER OF WADDINGTON), Lord Justice SALMON and Mr Justice WIDGERY)

Selective employment tax – Refund – Tug services – Company with head office and two branches – Whether all one establishment – Which establishment employing tug men – Selective Employment Payments Act 1966, section 2 – Standard Industrial Classification, Order XIX, minimum list heading 709.

The company carried on the business of providing the services of tugs to ships between Newcastle upon Tyne and the mouth of the river. The company had a head office in Newcastle and two branches, one at North Shields and the other at South Shields. At Newcastle fourteen persons were employed, all in administrative duties; in North Shields there were three persons, all engaged in storing and in repair work. In South Shields there were twelve persons employed in fleet operation, and there were 105 tug men. The two branches were controlled from the head office.

The Industrial Tribunal decided that all three of the company's premises constituted one establishment; and that as the 105 tug men formed the majority of the employees, the company was entitled to a refund.

Held: (1) each of the centres was a separate establishment; (2) the case should be remitted to the Industrial Tribunal to determine from which establishment the employment of the tug men was carried out.



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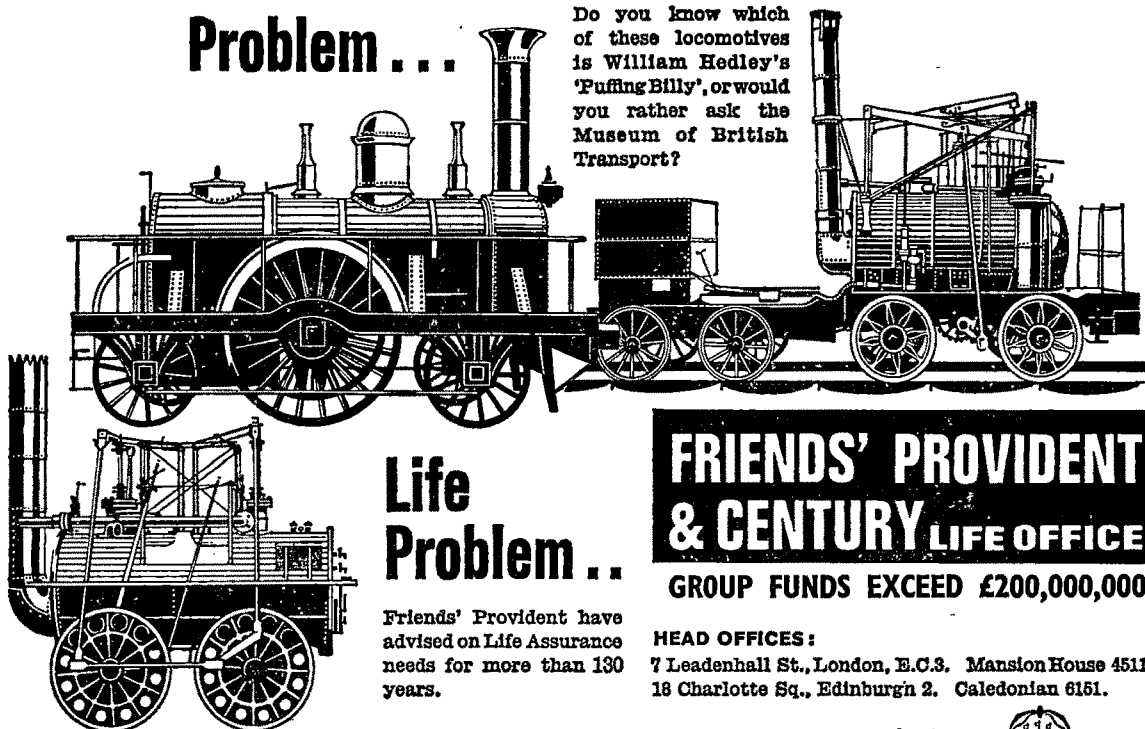
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Reviews

Etiquette for the Businessman at Home and Abroad

by MARY BOSTICCO

(Business Publications Ltd, London. 45s net.)

Manners maketh man said Bacon, and now it appears they also make the businessman. If you are unsure as to whether your breast pocket handkerchief 'should show a straight edge, two points, one point or be tucked in with apparent nonchalance'; if you are wondering whether it is permissible to greet a visitor in your shirt-sleeves; if you wish to strike a happy medium between the frigid and the familiar when dealing with subordinates; if when entertaining you are confronted with a menu in (to you) incomprehensible French and wish to impress your guests; and so on, then Mary Bosticco can put you at your ease. No longer will you suffer agonies about addressing letters to archbishops, entering the club you have just dared to join, going through the motions of kissing (without actively making fleshly contact) the proffered feminine hand over which you bow.

On the Continent, it is particularly important to know the correct procedures in this last manoeuvre so as to avoid possible misunderstanding. Only married women and elderly distinguished single women are entitled to the hand-kiss. It is, apparently, a mark of respect and not a declaration of love. If the hand is gloved and attached to a beautiful young lady 'and you feel like casting aside your British reserve', do not, Italian etiquette books emphasize, seek out a spot which the glove does not cover but, adds Mary Bosticco gallantly, a British businessman hardly needs such an admonition.

Most books on etiquette are an irritating mixture of the sensible and the absurd but, in this instance, some of the more bathetic passages have the compensating feature of being delightfully illustrated by Michael Ffolkes.

Kelly's Draftsman

Twelfth edition by W. J. WILLIAMS, B.A.

Butterworth & Co (Publishers) Ltd, London. 75s net.

This new edition of an old favourite is welcome on several counts. There has been a great need for a comprehensive yet reasonably small book of precedents which is really up to date. In the second place, in view of the extension of compulsory registration of land, the editor has greatly increased the number of precedents under this head. Finally, as has been increasingly realized, the devastating attack of the Finance Act 1965 on companies and their shareholders has conferred new advantages on partnerships.

With remarkable foresight, the editor has introduced a form of agreement for the conversion of a private company into a partnership and also forms for limited partnerships. One of the remarkable things about this book is the number of topics which it deals with but which are omitted from larger works.

Dymond's Death Duties

Second (Cumulative) Supplement to fourteenth edition by REGINALD K. JOHNS, LL.B.

The Solicitors' Law Stationery Society Ltd, London. 30s.

This second supplement to *Dymond* followed hard on the heels of the first. There was, of course, good reason for this, not that the first was in any way inadequate, but because immediately after the latter went to press further changes in estate duty law occurred. Sections 40 to 42 of the Finance Act 1966 contained some very involved provisions and these are duly reproduced and expounded in the new supplement.

The learned editor sets out the facts and decision in *Gartside v. C.I.R.* ([1966] 3 W.L.R. 759) in the High Court, and then proceeds to subject it to three pages of criticism. It is therefore interesting to reflect that after the supplement went to press the Court of Appeal reversed that decision.

There is a four-page disquisition on *Re Holmden's Settlement* ([1966] 3 W.L.R. 1) and it is some indication of the state of the law machine today that the appeal in this case to the House of Lords has not yet been heard, although it was set down in January last.

Indispensable to possessors of the fourteenth edition of *Dymond*, this new supplement is also an excellent summary of the developments in estate duty law since that volume was published.

British Tax Encyclopedia

Release No. 23 for Volumes 1-5.

Sweet & Maxwell Ltd, London.

Service sheets (Release No. 23) have now been issued which bring the *British Tax Encyclopedia* (Vols. 1-5) up to date to September 1st, 1967. The release includes the relevant sections of the Housing Subsidies Act 1967 with annotations and the necessary alterations to Volume 1. It also incorporates the consequential statutory amendments and annotations to other Acts following the passing of the Finance Act 1967.

RECENT PUBLICATIONS

THE MANAGEMENT OF DATA PROCESSING, by Richard G. Canning and Roger L. Sisson. 124 pp. 8½ × 5½. 56s. John Wiley & Sons Ltd, London.

FARM PLANNING DATA 1967, by J. G. Davidson. 82 pp. 8½ × 6. 5s. Farm Economics Branch, School of Agriculture, Cambridge.

ADVANCED ACCOUNTING: AN ORGANIZATIONAL APPROACH, second edition, by Norton M. Bedford, PH.D., C.P.A., Kenneth W. Perry, PH.D., C.P.A., Arthur R. Wyatt, PH.D., C.P.A. xviii + 822 pp. 9 × 6. 88s. John Wiley & Sons Ltd, Chichester, Sussex.

PENSION SCHEME PRACTICE, by Michael Pilch, B.A., F.C.I.I., and Victor Wood, B.A., F.F.A. 192 pp. 8½ × 5½. 40s. Hutchinson Publishing Group Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

Finance and Commerce

John Menzies

INCLUDED in the latest report and accounts of John Menzies (Holdings) Ltd, featured in this week's reprint, is the report made to the board of the company by Peat, Marwick, Mitchell & Co and the company's auditors, Robertson & Maxtone Graham, acting as investigating accountants. The investigation was ordered by the board last July. The board had reported to shareholders the previous month that, after the preliminary results had been issued, the company's auditors had informed the board that certain expenditure appeared to have been charged to capital which should have been charged to revenue.

The upshot was that pre-tax profits came out at £589,506 instead of the £635,305 reported in the preliminary announcement and that profits brought forward for previous years, after tax adjustments, were overstated by £117,031. The group operates as wholesale newsagents and owns bookstalls and retail shops.

The auditors qualify their report by making it 'subject to the observations contained in paragraphs, 9, 10 and 12 of the investigating accountants' report'. Paragraph 9 refers to 'weaknesses in the systems' in the determination of creditors, particularly trade creditors on the retail side of the group. From October 1964, when a computer was installed, the holdings company undertook the payment of all retail suppliers on behalf of the trading subsidiaries and a year later all aspects of purchasing goods for resale through the retail outlets was centralized in the group retail department of the holdings company.

Complete breakdown

Note 10 records the view that 'insufficient consideration was given to the problems involved in the organization of the new centralized department and inadequate control was exercised to see that correct procedures were followed'. For a time there was 'a complete breakdown in the system for checking and paying suppliers' accounts'. The determination of liabilities at any given date was 'rendered difficult and is open to error'. The accountants' report adds that 'No purchase ledger is kept and creditors are computed by an examination of cash payments after the year-end and of outstanding invoices'.

Note 12 records that 'efforts have been made during 1966 and 1967 to bring matters under control in the group retail department but we are of the opinion that this has not yet

been achieved, and that there is still room for much improvement'.

Included in the reprint is the statement showing the adjustment in profit from the originally announced £635,305 to £578,506. Of the £201,135 of revenue expenditure incorrectly charged to capital, £101,135 was incurred by the holdings company on goods for resale, charged to three subsidiary companies and incorrectly included in their accounts as fixed assets - properties under construction. The balance of £100,000 turned on the alteration of figures in the books of John Menzies & Co Ltd and had the effect of increasing fixed assets - properties under construction - by that amount and similarly reducing the charge against profits for goods purchased for resale. The report states that there were no vouchers available to support any of this purported capital expenditure.

'Omitted from the books'

On the trade creditors' items - £69,428 and £236,000 - the investigating accountants state that, after the inaccuracies concerned with the treatment of expenditure, attention was directed to other items in the draft accounts and also in the audited accounts at April 1966, since it was considered that the resulting profit for 1967 of some £434,000 (i.e., £635,000 less £201,000) was not a reasonable reflection of the group's trading for the year.

Investigation showed that trade creditors at April 1967 were understated in the draft accounts by £69,428 and, based upon available information, it was considered that trade creditors at April 1966 were understated by some £236,000.

On the transport charges items, the item of £127,198 refers to the 1965-66 accounts when the auditors were satisfied, following special inquiries, that suppliers' accounts had been overstated by an amount approximately equivalent to cash payments in respect of transport costs of £127,198 which had been 'omitted from the books'. The investigating accountants state, however, that the particular trade creditors which were scrutinized at the time were in fact overstated, but not to the extent necessary to offset the omission of the transport costs. 'Additional inquiries', it is considered, 'might have been called for at the time of the 1966 audit even if this had meant withdrawing and reprinting the accounts'.

The additional £40,438 under the transport heading is the result of further adjustments necessary due to the omission of certain creditors at April 1966 (£14,993) and April 1967 (£12,407) and to an overstatement of £43,024 in the draft 1967 accounts of amounts recoverable from third parties.

Chairman's view

On the stocks item of £90,051, the explanation is that the managing director, after consultation with the investigating accountants, decided on a revised valuation basis which meant that group stocks were overvalued by £39,391 in the 1967 draft accounts. Applying the revised basis to 1966 gave an undervaluation of 1966 stocks of £33,160. There was a final adjustment turning on an incorrect deduction of £17,500 from the 1966 stocks. The investigating accountants put the overstatement of profits for financial years ended on or before April 1966, at £321,966 gross and £192,031 net, with a large part of the overstatement accumulating in the 1965-66 financial year; but the

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the 52 weeks ended 1st April 1967

	Notes	£	£	1966 £
Trading Profit	.. .. . 1.	578,506	758,273	
Provision for Taxation				
Income Tax	.. .. .	—	(32,719)	
Corporation Tax at 40%	.. .. .	266,510	361,150	
			328,431	
Profit after Taxation	.. .. .	311,996	429,842	
Dividends:				
6% Preference Shares	.. .. .	76,228	76,228	
Ordinary Shares:				
Interim at 8%	.. .. .	96,000	96,000	
Second Interim at 8%	.. .. .	96,000	96,000	
			268,228	
Less: Income Tax Retained	.. .. .	—	197,184	
Profit retained in the business	.. .. .	43,768	232,658	
Retained Profit from Previous Year	.. .. . 2.	887,307	678,721	
Deduct: Overstatement of Profits of previous years				
less Taxation applicable thereto £129,935	.. .. .	192,031	—	
Provision for Taxation no longer required	.. .. .	75,000	1,337	
			1,337	
Retained in the business			680,058	
As follows:—				
Preference Share Capital Redemption Fund	3.	25,409	25,409	
Debenture Redemption Reserve	4.	18,750	—	
Profit and Loss Account				
Parent Company	.. .. .	757,476	805,426	
Subsidiaries	.. .. .	12,409	81,881	
			912,716	

NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1966 £	£
1. Trading Profit is stated after charging the following:		
Pension Scheme Contributions	58,789
Depreciation of Fixed Assets	191,861
Debenture Stock Interest	85,973
Bank Overdraft Interest	22,284
Loan Interest	4,220
Directors' Remuneration, including Pension Scheme Contributions:		
Fees	2,700
Management Emoluments	60,721
Pension Scheme Contributions	14,480
Auditors' Remuneration	12,190
Selective Employment Tax	132,196
		585,414
and after crediting the following:		
Income from Quoted Investments	37
Interest on Bank Deposits, Short Term Loans, etc.	14,746
		14,783

2. The Investigating Accountants have reported on the overstatement of profits for earlier years in their joint report, a copy of which is annexed to these Accounts. This overstatement of Profits cannot be allocated to any particular year, in view of the fact that many of the relevant accounting records at 3rd April 1965 and earlier balance sheet dates are no longer available. For this reason the comparative figures given throughout the Accounts and Notes in respect of the period ended 2nd April 1966 are those which appeared in the published accounts for that period.

3. In terms of the Articles of Association of the Company, a sum equal to two per cent of the total nominal amount of the issued Redeemable Preference Shares has to be set aside annually in order to form a fund for the redemption of the Preference Shares.

4. In terms of the Agreement and Deed of Trust to secure the Debenture Stock 1980/85, the Company has to set aside annually the sum of £18,750 as a Sinking Fund payment for the redemption of the Stock.

CONSOLIDATED BALANCE SHEET as at 1st April 1967

	Notes	£	£	1966 £
ASSETS EMPLOYED:				
Fixed Assets (per Schedule on page 17231)	..	5,448,319	5,171,485	338
Investments and Loans	.. 1.	328,097	329,048	5,500
			5,500,533	323,210
Current Assets				
Stock	.. 2.	1,974,460		328,097
Debtors	..	2,703,287		328,048
Leasehold Redemption Policies (surrender value £5,549, 1966 £5,285)	..	3,380		
Cash in Bank and on Hand	..	1,201,698		
		5,882,825		
Less: Current Liabilities				
Creditors	..	4,124,470		
Bank Overdraft - Secured	..	2,048,615		
Current Taxation	..	113,283		
Second Interim Ordinary Dividend	..	96,000		
		6,382,368		
		(499,543)		
		5,276,873		
Goodwill at cost, less written off	..	296,540		
		5,573,413		
FINANCED AS FOLLOWS:				
Capital and Reserves				
Share Capital	.. 3.	2,470,470		
Reserves retained in Business	.. 4.	1,330,247		
		3,800,717		
Future Taxation - Corporation Tax payable 1st January 1968				
	..	266,510		
Debtenture Stock	.. 5.	1,449,000		
Loans - Secured on certain Freehold Properties	..	57,186		
		5,573,413		

JOHN M. MENZIES, Director
R. V. NUSSEY, Director

NOTES ON CONSOLIDATED BALANCE SHEET

1. Investments and Loans	1966 £	338
Quoted Investments at cost less written off (Market Value £798, 1966, £938)	£	5,500
Unquoted Investments at cost (Directors' Valuation £5,500, 1966 £5,500) ..	..	323,210
Loans (including Loans to Employees £294,922, 1966 £292,519)	..	328,097
		328,048
2. Stock is stated at the lower of cost or net realisable value. See also paragraph 15 of the Investigating Accountants' Report.		
3. Share Capital	1966 £	338
6% Redeemable Cumulative Preference Shares 1980/85 of £1 each ..	£	5,500
Ordinary Shares of 5/- each ..	£	323,210
	£	328,097
	£	328,048
4. Reserves	1966 £	338
Preference Share Capital Redemption Fund	£	5,500
Balance at 2nd April 1966 ..	£	323,210
Transfer from Profit and Loss Account ..	£	328,097
	£	328,048
Subsidiary Company - Preference Share Capital Redemption Fund	£	338
Balance at 2nd April 1966 ..	£	5,500
Less: Goodwill of Businesses purchased written off ..	£	323,210
Debtenture Stock Redemption Fund	£	328,097
Transfer from Profit and Loss Account ..	£	328,048
Excess of nominal value of Stock redeemed during the year over the cost thereof ..	£	338
Other Capital Reserves	£	5,500
Profits less Losses on sales of Fixed Assets ..	£	323,210
Compensation for loss of Publication rights ..	£	328,097
Less: Goodwill of Businesses purchased written off ..	£	328,048
Compensation to Employees for loss of office ..	£	338
Underprovision of Taxation on pre-acquisition profits of a subsidiary company ..	£	5,500
Share Premium Account	£	323,210
Balance at 2nd April 1966 ..	£	328,097
Profit and Loss Account ..	£	328,048

THE
ACCOUNTANT

December 2nd, 1967

NOTES ON CONSOLIDATED BALANCE SHEET—continued

	£
5. Debenture Stock	
6% Debenture Stock 1980/85 – secured over certain Freehold Properties	699,000
5½% Debenture Stock 1983/88 – secured by means of a floating charge	750,000
	<u>1,449,000</u>

On 31st March 1967, holders of the Debenture Stock 1980/85 approved modifications to the Trust Deed. The interest payable from 1st May 1967 is now at the rate of 6½ per cent per annum.

The floating charge is on all the Assets of the Group in favour of The Eagle Star Insurance Co. Ltd., as Trustees for the Debenture Holders and the National Commercial Bank of Scotland Ltd., for sums advanced from time to time.

6. Outstanding Contracts for Capital Expenditure for the Group amounting to £149,000 (1966 £53,200) have been entered into as at 1st April 1967 for which no provision has been made in these accounts.

7. No Depreciation has been provided during the period in respect of certain Properties as, in the opinion of the Directors, such Depreciation is unnecessary. Depreciation on the remaining assets is calculated on the straight line method in order to write off these assets during their expected normal life.

8. There are contingent liabilities in respect of guarantees made by the Group amounting to £50,675 (1966 £42,700).

9. In connection with comparative figures at 2nd April 1966 for the Group and the Company see Note 2 to the Consolidated Profit and Loss Account.

10. Notes 3, 4, 5, 7 and 9 also refer to the Balance Sheet of the Company.

TAXATION OF LONG TERM CAPITAL GAINS

The Market Values of the Menzies (Holdings) Shares and Debenture Stock on 6th April 1965, for the purposes of Long Term Capital Gains Tax, were

Ordinary Shares	20/9
Preference Shares	18/6
6% Debenture Stock 1980/85	97½
5½% Debenture Stock 1983/88	87½

INVESTIGATING ACCOUNTANTS' REPORT

SUMMARY OF ADJUSTMENTS

CONSOLIDATED PROFITS OF THE GROUP BEFORE TAXATION AS ANNOUNCED	£
TO SHAREHOLDERS ON 8TH JUNE, 1967	635,305
Adjustments to be made as a result of our investigation:	

Deduct:	
Revenue Expenditure in 1967 incorrectly charged to Capital	201,135
Additional Trade Creditors at 1st April, 1967	69,428
Additional Transport Charges for 1967	40,438
Adjustment to Stock Valuations at 2nd April, 1966 and 1st April, 1967	90,051
Sundry Adjustments (net)	18,945
	<u>419,997</u>
	215,308

Add:	
Trade Creditors omitted from the Accounts at 2nd April, 1966	236,000
Transport Charges omitted from 1966 Accounts	127,198
	<u>363,198</u>

ADJUSTED CONSOLIDATED PROFITS OF THE GROUP BEFORE TAXATION

Deduct:	
Provision for Taxation thereon (Corporation Tax 40%)	578,506
	<u>266,510</u>
ADJUSTED CONSOLIDATED PROFITS OF THE GROUP AFTER TAXATION	£311,996

FIXED ASSETS EMPLOYED IN BUSINESS

	Freehold Properties	Leasehold Properties	Properties under Construction	Fixtures and Fittings, Plant, Machines and Motor Vehicles	Total
	£	£	£	£	£
Cost or Valuation At 2nd April 1966					
At Valuation	1,619,134	79,207	—	—	1,700,741
At Cost	2,024,678	160,198	506,193	1,278,550	4,167,899
Capital expenditure during period	3,643,812	239,405	506,193	1,278,550	5,868,640
	452,738	48,851	155,530	309,520	983,993
	<u>4,096,550</u>	<u>288,256</u>	<u>661,723</u>	<u>1,588,070</u>	<u>6,852,633</u>
Less: Sales or Transfers during period	30,389	—	—	—	30,389
At Valuation	29,701	52,295	373,634	100,286	555,916
At Cost	4,036,460	235,961	288,089	1,487,784	6,266,328
As at 1st April 1967	183,143	63,532	—	417,038	697,155
Aggregate Depreciation At 2nd April 1966	33,442	4,925	—	140,293	191,861
Depreciation provided during period	216,940	38,367	—	557,331	889,016
	2,326	16,420	—	52,261	71,007
Less: Depreciation on Sales and Transfers during period	214,614	21,947	—	505,070	818,009
As at 1st April 1967	1,576,102	74,456	1,040	982,714	1,652,437
Written Down Value At 1st April 1967	2,245,744	139,558	140,616	288,089	3,795,882
At Valuation	3,821,846	214,014	141,656	982,714	5,448,319
At Cost					

accountants state in their report that 'many of the relevant accounting records at April 3rd, 1965, and earlier balance sheet dates could not be found nor are they capable of reconstruction' and it is not therefore possible to allocate the overstatement to any particular year.

Mr John Menzies, the chairman, states in his report with the accounts, that administrative systems are being strengthened by the appointment from outside the group of a director 'with wide experience of accounting methods in the field of multiple retailing'. A share in a computer bureau has been acquired and arrangements made to

transfer the group's work to that bureau. The group's computer department is being wound up. Mr Menzies also tells shareholders that 'The offer of the reporting accountants to inform us of weaknesses in our systems and to recommend changes has been accepted'.

The chairman makes the point that no faults were found in the control of the wholesale side and that on the retail side 'the fault lay more with the operation of the systems than with the systems themselves; the errors and omissions... were a consequence of the actions of those persons operating the systems'.

CITY NOTES

THE immediate post-devaluation period in the stock-market was the subject of the kind of near panic more associated with Wall Street than Throgmorton Street. It is worth while even at this late stage to consider what took place.

On Monday immediately after devaluation, when the Stock Exchange was closed, the market judgement was that, allowing for the mark-up in export shares, there would probably be a net drop of about twenty points in *The Financial Times* Thirty Shares Index when dealings began the following day. That suggested an index level of 395. But even a test of the index at the start of dealings showed the pitch to be over the four hundred mark and for two days there was a rise in prices which took the index to within one decimal point of its peak.

On Thursday and Friday there was a complete reversal and by the end of the week the index stood virtually at the level that market consensus of opinion had placed it the previous Monday - in the region of three hundred and ninety-five. Four dealing days of extremely wide price fluctuations, exceptionally heavy dealing and, in all probability, a number of very bad bargains, were therefore necessary to bring prices to a basis in line with the originally anticipated pitch.

THIS week the market has been less chaotic but the investment view is still difficult to take without split vision. On one side is the feeling that the Government having been forced to take a devaluation decision will now consider its economic work done - other, of course, than

further taxation and disincentives to industry - and will allow inflation to undo the limited advantage that devaluation may have provided. This view suggests holding on to and even buying equities.

On the other side is the view that, to make devaluation work, there will have to be further internal economic curbs, a further reduction in Government spending and a further reduction in internal consumer demand.

If Government unproductive spending in the form of the new conglomeration of Ministries and the new army of Civil Servants needed to staff them is considered sacrosanct, then token reduction in Government spending will have little impact on the economy as a whole. If Government spending goes on increasing its share of the total then the private sector, which delivers the goods in terms of visible and invisible exports, will continue to suffer.

BASICALLY, the huge demand for gold on the London bullion market turns on the assumption that a higher price for the metal is presently more of a reality than at any time since the United States price was fixed in 1935. French withdrawal from the gold pool, after having used it to exchange dollars for gold on a huge scale, may or may not be a direct attempt to force devaluation of the dollar. But the development itself has been enough to touch off unprecedented demand. The fact that the United States has been running a heavy payments deficit for a long time is another factor in the higher dollar-gold price argument, even though the remaining members of the gold pool are confident of being able to prevent excessive drainage.

RATES AND PRICES

Closing prices, Tuesday, November 28th, 1967

Tax Reserve Certificates (29/11/67): Companies 4½%; 3% surrendered for cash; Personal 4%

Bank Rate				Foreign Exchanges			
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%	New York ..	2.41 3/4
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%	Montreal ..	2.60 3/4
Jan. 26, 1967 ..	..	6½%	Nov. 9, 1967 ..	..	6½%	Amsterdam ..	8.70 1/2
Mar. 16, 1967 ..	..	6%	Nov. 20, 1967 ..	..	8%	Brussels ..	120.17
						Copenhagen ..	18.06 3/4
						Frankfurt ..	9.64 5/8
						Milan ..	1509 3/4
						Oslo ..	17.28 3/4
						Paris ..	11.86 1/4
						Zürich ..	10.44 3/4
Treasury Bills				Gilt-edged			
Sept. 22 ..	£5 7s	4.65d%	Oct. 27 ..	£5 14s	6.36d%	Consols 4% ..	57 1/4
Sept. 29 ..	£5 9s	5.98d%	Nov. 3 ..	£5 17s	1.93d%	Consols 2½% ..	35 1/8
Oct. 6 ..	£5 9s	6.65d%	Nov. 10 ..	£6 7s	3.10d%	Conversion 3½% ..	50 3/8
Oct. 13 ..	£5 9s	6.39d%	Nov. 17 ..	£6 8s	3.10d%	Conversion 5% 1971 ..	92 1/4
Oct. 20 ..	£5 14s	6.92d%	Nov. 24 ..	£7 11s	0.82d%	Conversion 5½% 1974 ..	89 3/4
						Conversion 6% 1972 ..	94 3/4
						Funding 3½% 99-04 ..	55 1/8
						Funding 4% 60-90 ..	95 1/4
						Funding 5½% 78-80 ..	83 1/8
						Funding 5½% 82-84 ..	86 3/8
						Funding 5½% 87-91 ..	84 1/4
Money Rates				Bank Bills			
Day to day ..	..	6-7 3/8%	2 months ..	..	7 1/4-7 13/8%	Funding 6% 1993 ..	86 3/4
7 days ..	..	6 1/4-7 3/8%	3 months ..	..	7 1/4-7 13/8%	Savings 3% 60-70 ..	88 3/4
Fine Trade Bills			4 months ..	..	7 1/4-7 13/8%	Savings 3% 65-75 ..	75 3/4
3 months ..	..	9-9 1/2%	6 months ..	..	7 1/4-7 13/8%	Treasury 6½% 1976 ..	98 3/4
4 months ..	..	9-9 3/4%				Treasury 3½% 77-80 ..	74
6 months ..	..	9 1/4-10%				Treasury 3½% 79-81 ..	71 3/4
						Treasury 5% 86-89 ..	77
						Treasury 5½% 08-12 ..	79 1/4
						Treasury 2½% ..	35 3/4
						Victory 4% ..	96 1/4
						War Loan 3½% ..	49 1/4

Equipment in the Office

Bulk-buying Discounts

A UNIQUE service which it is claimed could revolutionize the traditional methods of buying office equipment has recently been launched by a firm offering a scheme of large bulk-buying discounts.

The service covers all stationery and office supplies, office machinery from adding machines to typewriters, including copiers, duplicators, etc., and all furniture and furnishings used in offices or canteens. Each customer joining the scheme is supplied with a range of full-colour catalogues covering the available equipment, which is claimed to be 95 per cent of all the items marketed for office use in Britain.

All routine purchases of stationery and other supplies are subject to an immediate discount of 10 per cent, with an additional credit allowed at the end of each year according to the total value of purchases made. A further 2½ per cent is made for purchases over £1,000 and under £2,500 p.a., 5 per cent between £2,500 and £4,000, and so on up to 15 per cent extra (making 25 per cent in all) over £12,000.

Large companies, particularly those with a number of branches, can expect to make further savings as such companies' own central stores may carry less stock with a resulting reduction in staff. The contracting firm are also setting up their own after sales department which guarantees emergency service on machines within twenty-four hours.

Inquiries to: Derodias Contracts Ltd, 25 St Pancras Way, London NW1.

Fast Retrieval

FAST access to stored records is provided by Remstar equipment which allows an executive to read, within seconds of asking for it and without moving from his desk, information contained in any of tens of thousands of files or index cards or millions of microfilmed records stored at a distant point.

Closed-circuit television and Remington Lektriever and/or Kardveyer Automated Records Retrieval Units are used together in the system. Lektriever and Kardveyer place tens of thousands of documents or cards or ten times as many microfilmed records within easy reach of one seated clerk. Closed-circuit television provides the means of conveying pictures of these records to one or more offices situated at distances of up to 3,000 ft. in any direction away from the filing installation.

Besides the Lektriever or Kardveyer clerk is a neat unit

housing the transmitter. On receipt of a telephoned request for information, the clerk finds the appropriate record (which takes 5-8 seconds, according to the size and type of system) and puts it into the transmitter box through a slot. A record on an index card or document appears on the viewer's television screen same size; a microfilmed record is enlarged. Images recorded on unbroken reels of film or on microfiche can be displayed one by one as dictated by a push-button on the viewer's set.

Remington Rand Division, 65 Holborn Viaduct, London EC1.

All-purpose Record Systems

two Roneo record systems, Walldex and Visileaf, were shown for the first time at the Business Efficiency Exhibition. The Walldex panels can be used for anything concerned with record keeping - stock control, patients' ward records, invoices, photographic libraries, book libraries, hotel bookings and so on. Each 12 by 9 in. panel has a backing of steel. Narrow runners surround the front and these are used to retain the twenty-six separate Walldex card holders which are made from kraft with a transparent protector along the bottom so that names or reference numbers can be seen at a glance.

The benefits of the traditional card filing system have been combined into a portable loose-leaf binder - Visileaf. This binder operates on a twin-prong principle with shift mechanism for easy insertion of new sheets or removal of completed ones. A feature of the Visileaf system is the compensating index sheets which eliminate the customary bulge caused by the accumulation of banks of overlapping record sheets. All sheets lie flat for writing and there is an out signal in the sheet design which shows when any sheet is removed. The binders are framed in nickel-plated mild steel, though one model is available in stainless steel for use in corrosive atmospheres or out of doors.

Roneo Ltd, Lansdowne Road, Croydon, Surrey.

New Accounting Machine

A NEW electronic accounting machine from Logabax Ltd is called the 'Thirty-two Hundred'. The machine has push-button program control which the operator brings into play by pressing the buttons on a separate selector key board.

The machine is internally programmed by wired core-



The Logabax 'Thirty-two Hundred' accounting machine,

store plates, each of which holds up to 2,600 instructions. Each instruction is of a sixteen-bit configuration. There are facilities for up to four groups of program to be controlled from the keyboard and the operator may select one of twelve routines from within each group.

Logabax Ltd, 21 Buckingham Palace Road, London SW1.

'Sitting Pretty' Office Chairs

A NEW range of office seating, under the general name of *Sitting Pretty*, is due to be launched through office equipment distributors.

There are several styles, ranging from the *Executive's Suite* – a matching set of chairs (with or without arm-rests)



'Sitting Pretty' range of chairs

for the executive, his secretary and for his visitors – upholstered in grained Omalon Antelope, a vinyl covering in several colours. With a modern, square-cut style, there are also de-luxe models upholstered in Bri-nylon (tested to 100,000 rubs) and available in black or four bright colours. This material is stain resistant, washable and colour fast.

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ILFORD GRAPHICS LTD have updated their Model 161 office systems machine into a dry copier. This is now the Model 761, a compact document copier which incorporates the thermaldiazo process.

By this process copies can be made using any translucent master (printed on a special Diazobond or Simulator paper) which can be overprinted with static information for letter headings or form rulings. These forms can be written or typed on to provide any variable information, then fed into the machine together with a sheet of dyeline copy paper of the new type. The two sheets together are exposed to ultra-violet light, then separated for the copy to be developed by heat. There are no chemicals, liquids or ammonia fumes usual with traditional dyeline copying, and copies emerge from the front of the machine dry and ready for use.

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The price of the machine is £500, or it can be rented at £36 per quarter.

Ilford Graphics Ltd, 4-12 New Oxford Street, London W1.



Model 761 Document Copier

Need to Call on Specialists as Consultants

President's Views at Liverpool Dinner

THE fact that more and more matters were becoming subjects for specialist study meant that the profession would have to contemplate a greatly increased formal use of specialists as consultants, said Mr W. E. Parker, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales, speaking at the annual dinner of the Liverpool Society of Chartered Accountants on Friday of last week. There were nearly six hundred and fifty members and guests at the dinner at the Adelphi Hotel, which was presided over by Mr A. P. Whyte, B.Sc.(ECON.), F.C.A., President of the Society.

Mr Parker, who was responding to the toast to the Institute, said that at headquarters and throughout the district societies the main anxiety was how best to serve the public and how to give members the best value for their contributions to the Institute funds. In effect, to give them what they wanted and what was necessary, without the cost becoming exorbitant to them.

'The trouble is', said Mr Parker, 'that in this present-day world, life has become extremely sophisticated and excessively complicated because of the increasing use by Governments of fiscal measures to guide the economy and because of the technological developments which private enterprise as well as the Government is rightly doing its best to promote.'

Wide variety of techniques

'All this adds enormously to the range of knowledge, the variety of techniques and the amount of homework which we accountants have to master. More and more matters are becoming subjects for specialist study and it is becoming more and more difficult for any one of us to be a competent all-rounder.'

'Evidently we must contemplate picking one another's brains more readily and much more often than we did in the past. Evidently we must contemplate a greatly increased formal use of specialists as consultants.'

'Over the last twenty-five years or so, mutual consultation and the exchange of knowledge and information between our members has increased enormously. This is right, but there is still scope for a great deal more of it and one of the best doorways is through mutual participation in Institute, district society and students' society activities. The immensely valuable by-product of participation in these activities is that one meets and gets to know more of one's professional colleagues and, incidentally, learns who is the best person to consult, and on what.'

Mr Parker said he had no doubt at all that those of the members who most often needed help were the ones who never, or rarely, took part in these activities. The remedy was in their hands. They did not know what opportunities they were missing.

Two difficulties

There were, he went on, two real difficulties regarding the formal use of specialists as consultants.

'Both derive from the fact that, unlike medicine and the law, our own profession has not, or at any rate not yet, developed a specialist section which is recognizable as such and which stands behind and in support of the general practitioner rather than in competition with him.'

'Most of our specialists today are partners or close associates of firms which are engaged in general practice. It really is asking a lot of any general practitioner to introduce his client to a consultant who may well be a potential competitor.'

'We in the Institute are thinking: What now? What can be done to make the specialists identifiable and how can we tighten our ethical rules so as to lessen the fear that the consultant may run off with the client?'

'Personally, I am convinced that, fundamentally, consultants will have to establish themselves by reputation within the profession, rather than by the acquisition of diplomas or entry

in some form of directory. I also believe that rules alone will never succeed in making a cad behave otherwise.'

'I am much more interested in seeing that the 99 per cent of decent people in our membership are well aware of their ethical duty than trying to catch the 1 per cent who are selfish enough to find a way round any written regulation.'

Dispelling illusions

Mr G. D. Dodds, LL.B., COMP. I.E.E., Chairman of the Merseyside and North Wales Electricity Board, who had proposed the toast to the Institute, declared that in public industry the role of the chartered accountant was singularly important.

He said: 'The chartered accountant has an uncomfortable knack of dispelling all illusions and dispersing cost fantasies. The accountant is now not just the person who keeps the score but one whose role is the extremely important one of giving advice to those in the public as well as the private sector of industry.'

The toast of 'The Guests', in which he mentioned many by name, was proposed by Mr Whyte who, at the outset, had formally proposed the toast of 'The City and Trade of Liverpool' to which the Lord Mayor replied.

Professor R. Beresford Dew, LL.B., M.A., F.C.A., F.B.I.M., M.I.W.M., replying on behalf of the guests, referred to the student body as being full of initiative and imagination - and first class.

He said: 'They represent the next generation, and have not much use for the sort of world we are handing over to them. They say they have been brought up without much discipline. They say they will not tolerate this and will bring up the following generation with plenty of discipline. I hope that, as the future lies in their hands, they will take the opportunity offered and integrate this new generation with greater imagination than was the case when your President and I were under articles.'

Future Structure of the Profession

President's Remarks at Blackpool Dinner

THE current talks on the future of the accountancy profession and the possibility of integration involving the Institutes of Chartered Accountants and other established accountancy bodies, were referred to by Mr W. E. Parker, C.B.E., F.C.A., President of the English Institute, at the annual dinner of the North-west Society of Chartered Accountants in Blackpool on Thursday of last week.

Replying to the toast to the Institute, Mr Parker said: 'I thought I ought to say a word or two on my recent circular letter to members about the discussions which have been going on and which are still going on about the future structure of our profession'.

Long-term view

It was fair to say, Mr Parker said, that they would probably never have succeeded in formulating even tentative proposals if they had addressed their minds simply to things as they were today. On the short view, he expected that most of the Institute members would be against the contemplation of any radical changes in the structure of the profession. They would rather be in favour of concentrating their attention on promoting the status and standards of their own members on the lines of their existing policies.

'The proposals which are now being worked on derive not primarily from looking at present circumstances but from trying to look a generation or more ahead and to determine, in the light of present trends, what shape the profession ought to take in order to serve the public best in those years to come,' he said.

A conclusion about that then naturally led back to consideration of what steps should be taken now to bring that future shape into being.

Present trends had been very significant, said Mr Parker. The last thirty years had seen a tremendous change in the scope and emphasis of professional accountants' work. Before the last war they had been mainly con-

cerned, in the field of accounting, with the recording and measurement of past events – in short, with the record of stewardship. In fact, the accountant had often been referred to as 'the chap who kept the score'.

For that task, he went on, the approach of the auditor and the training in accounting and auditing which a practitioner's office provided were particularly well suited.

More recently, there had been general recognition that accounting also had a much more directly constructive function, that accounting – properly used – was one of the important tools of management, and the competent accountant rightly took his place in the management team.

In consequence, although their Charter and the whole emphasis of their system of training was still that of a body of practitioners, something like half their total membership was now employed in business undertakings, and more than half their current intake was moving into such employment soon after admission to membership.

For the same reason, members in the practising offices had been increasingly devoting their attention to what, for lack of a better term, were called 'management services' to their clients – even to the point, Mr Parker said, that it had seemed wise during the past twelve months for the Institute to remind members of the importance of the auditing function and to initiate courses in that subject.

Accountants in the Civil Service

There remained only one substantial area in which the management contribution that accountants could make still seemed to lack recognition.

'I refer to the Civil Service, which now has the spending of a very large slice of the national product', he said.

'Those of you who read our professional press will have seen that, in conjunction with the other leading accountancy bodies, we have recently made a submission on this subject to the Fulton Committee on the Civil Service.'

He said they had drawn attention to the fact that, in comparison with some twenty-five thousand members of accountancy bodies employed in industry and commerce, there were only some three hundred and fifty posts for accountants in the non-industrial part of the Civil Service.

Radical review

The extensive development of the management use of accounting services, with the consequences he had mentioned, had brought with it not only the need to take a radical look at the whole basis of their own Institute's professional qualification, but also a situation in which the functions of their members and those of other well-established accountancy bodies were increasingly overlapping one another.

This tended to become confusing to the general public and became more confusing as the overlapping was reflected in the examination syllabuses it would become more confusing still as tuition arrangements passed increasingly into the hands of the national educational system.

In choosing an accountant in these circumstances – whether as professional adviser or as employee – it had to be expected that businessmen would pay less and less attention to the accountant's particular professional designation and to look more and more deeply into his particular professional experience and background.

Proposing the toast to the Institute, Mr G. N. Hodson, M.B.E., J.P., F.I.CERAM., chairman and managing director of Shaw-Hathernware Ltd, Darwen, spoke of the relationship between the 'common man' and the accountancy profession, and said the ordinary man's knowledge of accountancy was that his weekly wage packet did not go as far as it should. To him, an accountant was a remote figure.

The toast of 'The Guests' was proposed from the Chair by Mr R. Bryan Arrowsmith, F.C.A., President of the North-west Society, and Mr W. E. E. Lockley, M.A., Town Clerk of Preston, responded.

Accountants' Vital Role in Industry

Vice-President's Comments at Birmingham Students' Dinner

CHARTERED accountants played a vital part in industry as directors, managers, chairmen, and financial advisers, stated Mr R. G. Leach, C.B.E., F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of The Birmingham Chartered Accountant Students' Society held at the Grand Hotel, Birmingham, on Friday of last week.

Mr Leach, who was responding to the toast to the Institute, went on to say that the chartered accountant appeared to be even more important in Britain than in America. Across the Atlantic, in fact, there were about one hundred thousand certified public accountants in a population of some two hundred million. In Britain there were about fifty-three thousand chartered accountants in comparison with 53 million people.

'In the United States', he added, 'the lawyers have a predominant position, but in this country we are more fortunate. We also have a very high reputation with the Government – and there is hardly any committee of inquiry set up without a chartered accountant being included.'

Plan for the profession

The Institute was facing one or two important problems, he added. 'We have been referred to the Monopolies Commission in common with all other professions and we have submitted a written reply pointing out that we have a plan for the development of the profession. We aim to raise the educational standards and improve the standards of training, through the proposed integration with certain other accountancy bodies we shall eventually be the largest accountancy body in the world.'

'Whatever the Monopolies Commission may say we must be determined to maintain our position. But we must look carefully at the rules, and regulations, and systems and so on, and that is why I feel so much in favour of the development plan which is going to be put forward soon.'

Devaluation of the £ was a challenge to chartered accountants, said Sir Edward Boyle, Bt, M.P., in proposing the toast to the Institute. The act of devaluation had, indeed, increased the importance of chartered accountants, he said. It was the financial adviser's job in every firm to suggest quickly which policy would prove most successful in taking advantage of the increased opportunities for trading overseas.

The standard of living and the level of social advance in Britain, said Sir Edward, both depended on the way the country could earn its living in competitive world markets.

Important decision

Firms could adopt one of two policies to take advantage of devaluation in export trade. One, by reducing the effective selling price abroad, and thereby increasing total sales. Two, by improving their margin on sales overseas and so encourage the spending of

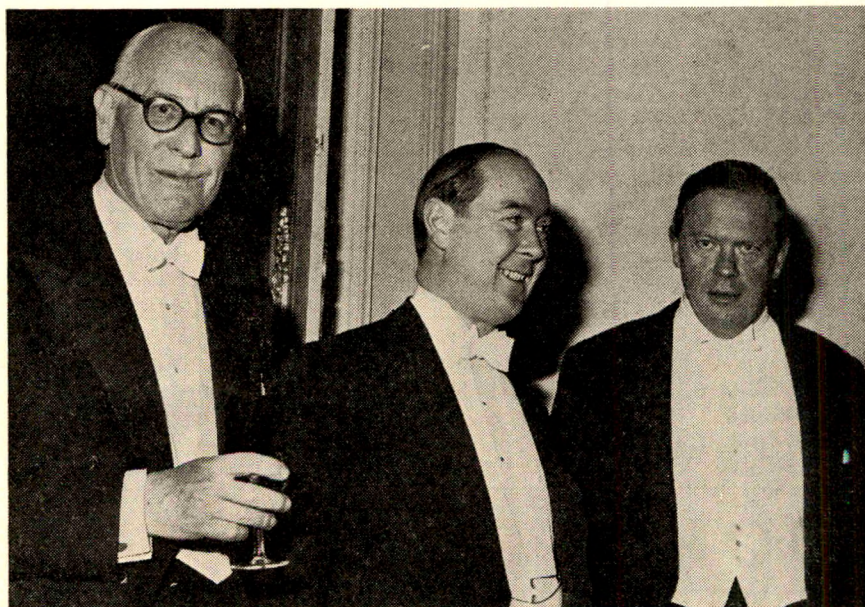
more money on sales promotion in order to reach higher profits that way.

'Whichever course they choose depends on the whole national economic concept – but it is going to be a very important decision for each firm to make. That is why the financial advisers – the chartered accountants, usually – have a particularly important job at the moment, advising on the best way to act concerning exports.'

Mr D. D. Lindsay, Headmaster of Malvern College, proposing the toast to the Society, said he welcomed any change in the examination rules which would ease the task of those who teach.

'I would have hoped that you could arrange professional training quite separately from ordinary duties. To work all day in an office, and then study every night is hard for anyone.'

Mr M. G. Willis, Secretary of the Society, responded, and the toast of 'The Guests' was proposed by Mr J. G. Pallister, B.A., to which The Reverend P. C. Moore, M.A., D.PHIL., replied.



Mr R. G. Leach, C.B.E., F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales (*left*), with Mr H. B. Huntington-Whiteley, F.C.A., President of the Students' Society, and Sir Edward Boyle, Bt., Conservative Member of Parliament for Handsworth, Birmingham.

In Parliament

Companies: Trading Profits

Mr BIFFEN asked the President of the Board of Trade how trading profits as a percentage of turnover of companies where results are analysed by the Board of Trade compare between 1966 and the previous year.

Mr DARLING: For quoted companies which gave figures of turnover in their accounts, gross trading profits were 9.3 per cent of turnover in 1966 or a proximate business year, compared with 10 per cent in the previous year.

Hansard, November 6th, 1967.
Written answers, col. 65.

Charities: Tax Relief

Mr ARNOLD SHAW asked the Chancellor of the Exchequer whether he will review the definition of charities in so far as it affects the incidence of tax relief.

Mr DIAMOND: The meaning of charity for tax relief purposes follows the ordinary legal meaning of the term and it has not been found practicable to introduce a special definition for tax purposes.

Mr SHAW: Would not my right hon. friend agree that the present system raises many anomalies, that many institutions such as public schools are getting tax relief whereas other really worthwhile institutions like convalescent homes have to bear the full burden?

Mr DIAMOND: I sympathize with the difficulties which my hon. friend has mentioned. He will realize that this is the very difficulty which anybody has

if he tries to redefine charities. It is a difficulty which none of us would like to have to decide upon.

Hansard, November 21st, 1967. Oral answers, col. 1119.

Close Companies: Undistributed Earnings

Mr TURTON asked the Chancellor of the Exchequer whether it is the intention of the Inland Revenue to enforce section 77 of the Finance Act 1965 in such a manner as to cause no tax to be paid by close companies in cases where money has not been distributed by them in order to plough it back into the business.

Mr DIAMOND: As my hon. friend the Financial Secretary pointed out on October 24th, in reply to a question by the right hon. Member for Thirsk and Malton (Mr Turton), section 77 specifically provides for a company's development requirements to be taken into account in calculating shortfall. As hitherto, therefore, the Inland Revenue will make no shortfall assessment for any period where a trading company shows that those requirements would be prejudiced by an increase in its distributions. — [Vol. 751, col. 424-5.]

Mr TURTON: Is the right hon. gentleman aware that that assurance is being interpreted differently by inspectors in different parts of the country? Will he send out an instruction to ensure that there is one interpretation? Is he willing to receive cases where there have been interpretations

by inspectors that run counter to the definition he has given today?

Mr DIAMOND: The answer to the last part of the right hon. gentleman's supplementary questions is, 'Certainly'. The answer to the first two parts is that I am not aware of that, and that steps have been taken to make sure that there is a unanimity of view by inspectors of taxes throughout the country.

Mr W. BAXTER: Will my right hon. friend see that this is made abundantly clear to the inspectors of taxes? It is a very important matter, sometimes appertaining to reasonably small businesses. If they are compelled to disburse their profits without sufficient regard to the expansion necessary for the future, this could have a very detrimental effect on the country's future.

Mr DIAMOND: I am grateful to my hon. friend. Of course, I agree with him that this is essential for growth. That is why I have made the position clear on every occasion, and why the Inland Revenue authorities have taken steps to make absolutely sure that the previous practice has continued and has been advised to all inspectors of taxes.

Hansard, November 21st, 1967. Oral answers, col. 1127.

Husbands and Wives: Tax Assessment

Dr SUMMERSKILL asked the Chancellor of the Exchequer whether he will seek to abolish the joint assessment of a husband and wife for surtax purposes.

Mr DIAMOND: No, sir. I share the views of the Royal Commission in favour of the present system.

Dr SUMMERSKILL: Would my right hon. friend not agree that if the joint assessment were abolished, there would be a financial incentive to married women to return to medicine, teaching, scientific research and other professions where the Government urgently need them?

Mr DIAMOND: Yes, I take the view that there is a very considerable incentive as there is. If my hon. friend

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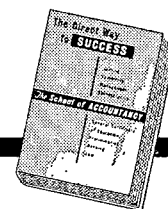
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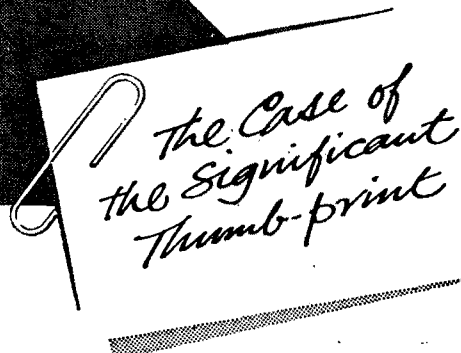
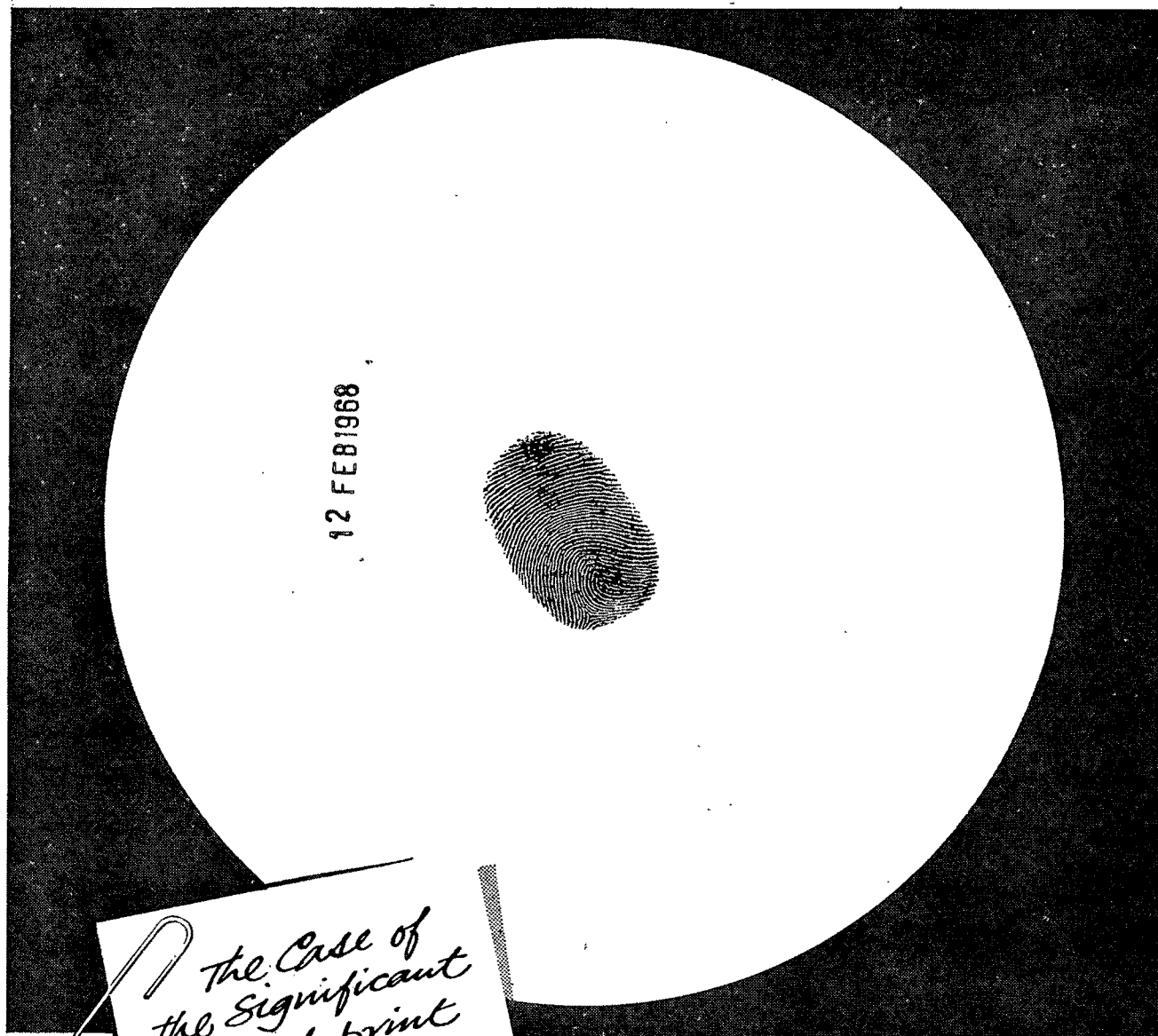
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1968						
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2	E.D.P.	Between	20 & 25 February	3 days	4 x 50	Hotel Metropole, Brighton
3	Tax	Between	23 & 29 March	5 days	3 x 50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1 x 70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3 x 50	Hotel Metropole, Brighton
*6	Summer Course		11-16 July	5 days	1 x 200	Christ Church, Oxford
*7	Summer Course		18-22 September	4 days	1 x 200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on - see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3 x 50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4 x 50	Hotel Metropole, Brighton

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Established 1874



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The Small Company

AT the end of 1961 there were nearly 403,000 registered companies in Great Britain. Of these, over 385,000 were exempt private companies – a status which has now been withdrawn by the Companies Act 1967 – and of that number almost 40,000 were foreign owned.

In an attempt to obtain more reliable information about these small companies the Board of Trade, with the collaboration of the Inland Revenue, analysed the accounts of over 62,000 companies which, by 1959 when the initial analysis was made, had been assessed for profits tax. Two further analyses covering the accounts of later years were then made. Some interesting details derived from the surveys are given in the latest issue of *Economic Trends*.

The stratified sample comprised large exempt companies defined as those with profits of £50,000 and over; medium companies whose profits ranged from £20,000 to £50,000; and small companies with profits from £4,000 to £20,000. Companies with profits below £4,000 were excluded. The stratification ensured that a much larger proportion of the large companies were included in the sample than the more numerous smaller companies.

The pattern of income appropriation does not differ markedly between the three groups of exempt companies. Figures based upon the accounts for 1961 and 1962 show that dividends then took about 20 per cent of the gross income of the large companies, but only 17 per cent of the small companies' income. Taxation took about a third of each group's income, while allocations to reserves accounted for just over 20 per cent.

In contrast, the corresponding figures for large quoted companies show a much higher proportion of gross income being taken in dividends and a lower proportion in tax, i.e. 31 and 21 per cent, respectively. The disparity in the matter of dividends is explained by the fact that with the exempt company there was no clear dividing line, except for tax purposes, between salaries and dividends.

Comparing the large quoted companies with the exempt companies as a whole, the figures indicate that the latter tend to retain a larger proportion of their profits than do the former, but some part of that difference is balanced by the larger allowances for depreciation enjoyed by the large quoted companies. The changes in gross income between the exempt companies and the public companies between 1958 and 1962 were broadly comparable.

Analyses of the balance sheets show that the small exempt companies have a significantly higher proportion of current assets

within total assets than has any other group. Trade and other debtors bulk large in this item – 30 per cent for small exempt companies, compared with under 20 per cent for the large quoted companies. Likewise, current liabilities form a larger part of total liabilities – 46 per cent for the small exempt companies, compared with 26 per cent for the quoted companies.

The average rates of return on net assets for the years 1961 and 1962 were higher for the large exempt companies as a class than for any other class, including the quoted companies. Somewhat surprisingly, the rate of return obtained by the small exempt companies as a class was higher than for the quoted, but the authors of the article contend that this figure is suspect in so

far as under-valuation of assets in the accounts of the small exempt company would tend to produce such a result.

The *Economic Trends* article represents the fruits of the first major analysis of what were, at the time of the inquiry, exempt private companies. It is to be hoped, now that all companies are required to file their accounts, that further analyses will be made – perhaps on an industry by industry basis to show the contribution which such undertakings make. While not denying the statistical difficulties involved in undertaking such analyses, it is also to be hoped that the results might in future be published with a shorter time lag.

COMPANIES ACT 1967

Inspection of Books and Papers

PART III (sections 109 to 118 inclusive) of the Companies 1967 Act gives the Board of Trade wide powers of inspecting the books and papers of companies and bodies corporate. Under section 109 the Board of Trade may at any time 'if they think there is good reason so to do', give directions to a body, to produce at such time and place as may be specified in the directions, such books and papers as may be so specified; or may at any time if they think there is good reason for doing so, authorize any officer of the Board (on producing evidence of his authority) to require the body to produce to him forthwith any books or papers which the officer may specify.

Section 117 of the 1967 Act provides that references in Part III of the Act to books or papers are to be construed as if they were contained in the Companies Act 1948; while section 455 (1) of that Act defines 'book and paper' and 'book or paper' as including accounts, deeds, writings and documents. Moreover, the power to require production of books and papers under section 109 extends to books or papers of the body in the possession of another person, subject to any lien which that person (for example, a solicitor) may have on them.

It also includes power, if books or papers are produced, to take copies of, or extracts from, them and to require the person producing them, or any other person who is or was an officer of the body or who was at any time employed by it, to provide an explanation of them. If the books or papers are not produced, the body or person concerned may be required to state, to the best of his knowledge and belief, where they are. A former

director, manager, company secretary or other person employed by the body may thus be required to give an explanation of any books, accounts, deeds or other documents of the body.

If a requirement to produce 'books or papers' or provide an explanation or make a statement is not complied with, the body or other person concerned will be guilty of an offence and liable on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or both. It will be no defence to a prosecution for refusal to comply with a requirement or direction that it was unreasonable, since the Board are the sole arbiters of what is reasonable in the circumstances. But if a requirement or direction is considered by the defence to be unreasonable, that fact may be included in a plea in mitigation of sentence. Where a person is charged with failing to produce any books or papers, it is expressly provided that it will be a defence to prove that they were not in his possession or under his control and that it was not reasonably practicable for him to comply with the requirement.

A statement made by a person in compliance with section 109 may be used in evidence against him, and a similar provision is contained in section 50 of the 1967 Act which relates, *inter alia*, to the investigation of a company's affairs and the production of documents and evidence, under the 1948 Act.

Section 109 applies to six categories of companies and bodies corporate, namely, (a) all companies formed and registered under the 1948 Act; (b) all existing

companies within the meaning of that Act; (c) a company to which the 1948 Act applies by virtue of section 378 of that Act (companies registered but not formed under former Companies Acts) or which is registered under the 1948 Act by virtue of Part VIII of that Act (companies not formed under the 1948 Act but authorized to be registered under it); (d) a body corporate incorporated in and having a principal place of business in Great Britain, being a body to which section 435 of the 1948 Act applies (provisions relating to prospectuses and allotments); (e) a body incorporated outside Great Britain which is carrying on business in Great Britain or has at any time carried on business here; and (f) any other body whether incorporated or not, which is or appears to the Board of Trade to be an insurance company to which the Insurance Companies Act 1958 applies.

The section is therefore very widely drawn, and the Board has only to consider that there is good reason for giving the directions and need not apprehend non-compliance with sections 33 or 34 or sections 82 or 83 or any other provisions of the Companies Acts, nor need it apprehend fraud or any criminal offence. The matter being entirely within the discretion of the Board there is no possibility of restraining the Board by application to the Court. But, as will be seen later, section 111 places restrictions on the publication or disclosure of the information obtained.

Section 116 of the 1967 Act, however, provides savings for solicitors and bankers. The section states that nothing in Part III of the Act is to compel the production by a solicitor of a document containing a privileged communication made by or to him in that capacity or authorize the taking of possession of any such document which is in his possession. And the Board of Trade may not under section 109 require, or authorize any officer of theirs to require, the production by a person carrying on the business of banking of a document relating to the affairs of a customer of his, unless either it appears to them that it is necessary to do so for the purpose of investigating the affairs of the banker, or the customer is a person on whom a requirement has been imposed under section 109.

Section 110 provides that if a justice of the peace (or in Scotland a sheriff or magistrate) is satisfied on information on oath laid by an officer of the Board of Trade, or laid under the authority of the Board, that there are reasonable grounds for suspecting that there are on any premises any books or papers which have not been produced as required under section 109, he may issue a warrant authorizing any constable, together with any other persons named in the warrant and any other constable, to enter the premises specified in the information, search the premises and take possession of any such books and papers, or take any

other necessary steps for preserving or preventing interference with such books or papers. A warrant issued under section 110 continues in force for one month following the date of issue.

Books and papers taken possession of under the section may be retained for a period of three months or, if criminal proceedings under section 111 (below) are commenced within the three-month period, until the conclusion of these proceedings. A person who obstructs an authorized person from entering or searching premises or taking possession of books or papers will be guilty of an offence and liable on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or to both.

Section 111 provides for what is called the 'security' of the information and documents obtained under sections 109 and 110 of the 1967 Act or under section 18 (power of Board of Trade to require production of documents) or section 19 (entry and search of premises) of the Protection of Depositors Act 1963. Such information and documents are not to be published or disclosed without the previous consent in writing of the body, except to a 'competent authority', unless the publication or disclosure is required:

- (i) with a view to the institution of, or otherwise for the purposes of, criminal proceedings under the Companies Acts 1948 to 1967, the Insurance Companies Act 1958, the Protection of Depositors Act 1963, the Exchange Control Act 1947, or of criminal proceedings for an offence entailing misconduct in connection with the management of a body's affairs or misappropriation or wrongful retainer of its property;
- (ii) for the purpose of enabling the Board of Trade to consider whether or not to exercise the powers conferred on them by Part II of the 1967 Act, which relates to insurance companies;
- (iii) for the purpose of complying with any requirement or exercising any power in connection with reports made by Inspectors appointed by the Board under the Companies Act 1948;
- (iv) with a view to the institution by the Board of proceedings under section 37 of the 1967 Act for the recovery of property which has been misapplied or wrongfully retained or the winding-up of the company in accordance with the 1948 Act or otherwise for the purposes of proceedings instituted by the Board for either of such purposes;
- (v) for the purpose of proceedings under section 110 of the 1967 Act.

In relation to information or a document relating to a body other than one carrying on industrial assurance business (as defined by section 1 (2) of the Industrial

Assurance Act 1923) 'competent authority' means the Board of Trade, an officer of theirs, an inspector appointed under the Companies Act 1948 by the Board, the Treasury and an officer of theirs; and in relation to information or a document relating to a body carrying on industrial assurance business includes, in addition, the INDUSTRIAL ASSURANCE COMMISSIONER and an officer of his.

A person who publishes or discloses any information or document in contravention of section 111 will be guilty of an offence and liable on conviction on indictment to imprisonment for a term not exceeding two years or a fine or both; and on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or both. An offence of disclosure or publication which is not permitted by section 111 is therefore regarded as more serious than offences under sections 109 and 110 which are only to be dealt with summarily.

An officer of a body under section 109 or of an insurance company within the Insurance Companies Act 1958 who destroys, mutilates or falsifies a document

affecting or relating to the property or affairs of the body or makes a false entry in such document will, unless he proves that he had no intention to conceal the state of affairs of the body or to defeat the law, be guilty of an offence. The onus of proof is thus on the defendant who is deemed to be guilty unless he proves that he is innocent. If such a person fraudulently parts with, alters or makes an omission in any such document, he will also be guilty of an offence but in this case the onus of proof is upon the prosecution rather than the defence. This is because of the rule of law that fraud must be proved up to the hilt by the person alleging it (section 113).

A person who in purported compliance with section 109 provides or makes an explanation or statement which he knows to be false in a material particular, or recklessly provides or makes an explanation or statement which is false in a material particular, is again guilty of an offence; but in this case, too, the onus of proof is on the prosecution (section 114). The penalties under sections 113 and 114 are the same as under section 111.

Accountants Lose Service Company Tax Appeal

IN what is thought to be the first tax case involving a service company to a professional partnership, the High Court last week found for the Crown in an appeal against a decision of the General Commissioners.

In the Chancery Division, on November 29th, Mr Justice Pennycuik allowed, with costs, a Revenue appeal against a decision of the General Commissioners for Income Tax for Holborn who had upheld an appeal by Payne, Stone, Fraser & Co, Chartered Accountants, of Bedford Row, London WC1, against assessments under Case 11 of Schedule D in respect of profits arising from their profession.

The issue was whether a service charge of £47,000 debited in the firm's accounts for the year ended November 30th, 1961, was wholly admissible in computing for tax purposes the firm's profits for that year.

The judge said that in 1960 a service company was formed, called Bedford Row Nominees Ltd, to provide staff and other services to the partnership firm. Its directors and shareholders were the partners. The company was to make a charge to the firm once a year and its policy was not to make undue profit at the expense of the firm.

In 1962 there was an oral agreement between the firm and the company whereby a £47,000 service charge was to be paid for the year to November 30th, 1961. This figure was reached on the understanding

that the service charge for later years would be so adjusted as to secure for the company, over the long-term, a nominal profit only.

The actual cost of the services rendered to the firm amounted to £32,000, so that the payment of £47,000 resulted in a gross profit for the service company of £15,000. The service charge for the subsequent year – to November 30th, 1962 – was agreed at £21,000, regard being paid to the fact that the previous payment of £47,000 was in excess of the cost of services to November 30th, 1961.

It was contended before the Commissioners on behalf of the firm that the payment of the £47,000 was pursuant to a contract, that no part of it constituted a prepayment, that it was commercially reasonable for the firm to pay that sum and that the expenditure was wholly and exclusively incurred for the purposes of the firm's profession.

The Inspector's contentions were that the decision to pay the money was not made on a commercial or contractual basis, and that only £32,000 was a proper charge to be deducted in computing the firm's profits for the year to November 30th, 1961.

The Commissioners accepted that the agreement for the payment of £47,000 was bona fide and that the expenditure was wholly and exclusively incurred for the purposes of the firm's profession.

The judge said it was necessary to bear in mind the provisions as to the basis of computation of profits of a trade or profession particularly in regard to the opening years of such trade or profession. These were to be found in sections 127 and 128 of the Income Tax Act 1952. It was sufficient to say that for the first three fiscal years, profit was normally computed by reference to the actual profit of the first yearly period of account and it was, therefore, much in the interest of the taxpayer to keep the profit of the first yearly period as low as possible.

With all due respect to the Commissioners he did not think their decision could be supported. The attribution of any outgoing to one or other period of account for the purpose of arriving at a true balance of profit or loss was a matter to be determined upon the ordinary principles of commercial accountancy. Here the basis

of charge agreed upon in 1962 by the partners in their dual capacity as such, and as directors of the service company, was nominal profit, i.e. actual cost to the service company of the services it had rendered, with or without a very small addition which could be described as nominal profit.

The partners in their dual capacity arranged that in calculating the amount of its service charge, the service company should add £15,000 to the actual cost of the services rendered in the year of account ended November 30th, 1961, and make a corresponding deduction in its service charge in the subsequent year or years of account. This was done.

The judge said that it seemed to him that this attribution was manifestly contrary to the ordinary principles of commercial accountancy and distorted the true balance of profit of the firm's profession.

Current Affairs

Scottish Chartered Accountant Elected President of U.E.C.

MR ALEXANDER McKELLAR, C.A., has been elected President of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.) in succession to Mr H. C. Treffers, of the Netherlands, who has held office for the past three years.



Mr McKellar has taken an active part in the affairs of the U.E.C. since 1963 when the three Chartered Institutes in the United Kingdom and The Association of Certified and Corporate Accountants became members, and since 1964 has served as a Vice-President.

He is a strong supporter of the importance of the interchange of ideas between members of the profession in the various European countries.

Senior partner in the firm of David Strathie & Co,

Chartered Accountants, of Glasgow, Mr McKellar was President of The Institute of Chartered Accountants of Scotland in 1960-61 and served as President of the European Congress of Accountants held in Edinburgh in 1963.

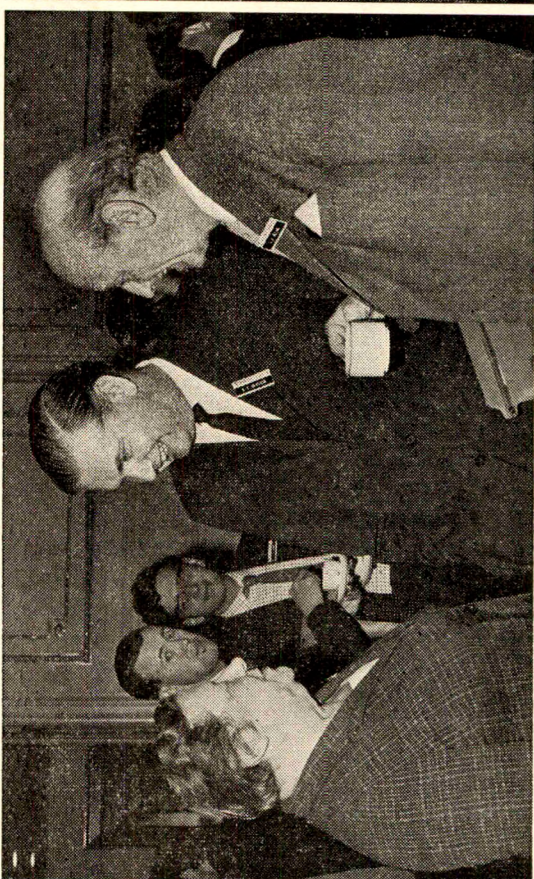
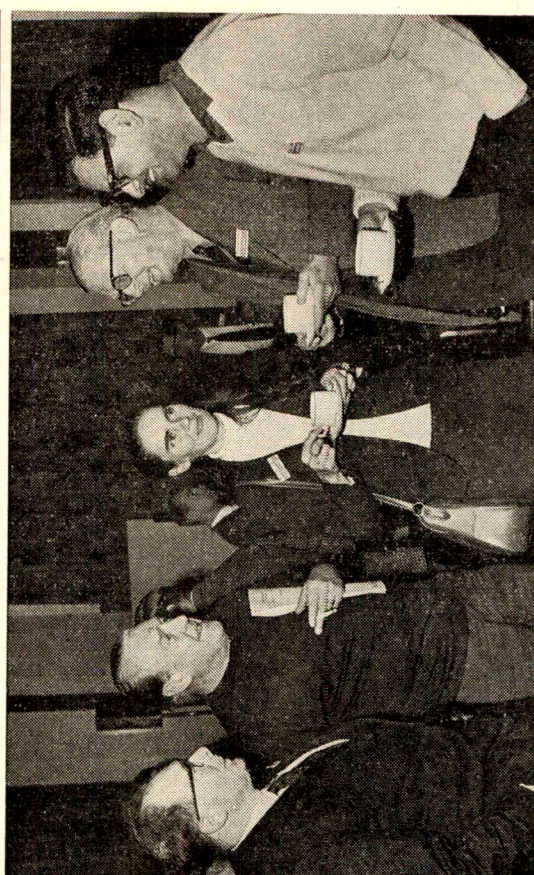
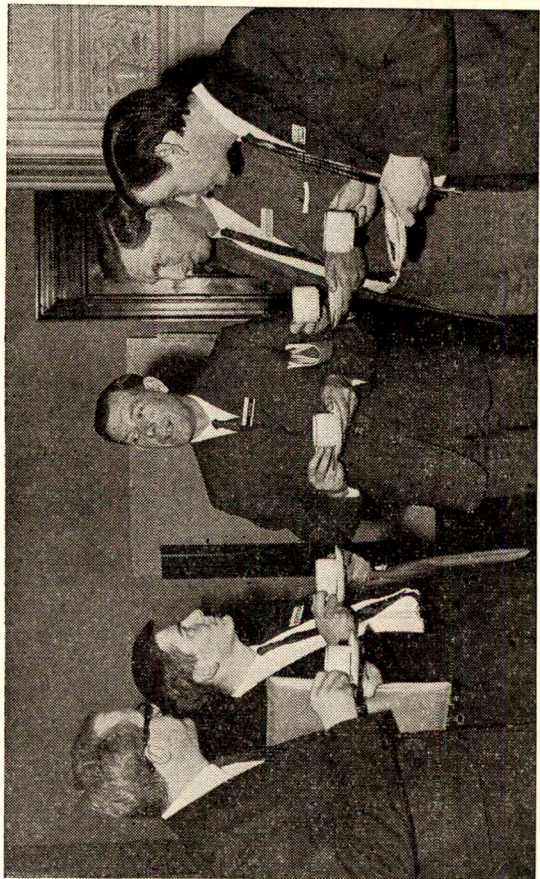
Cool Look at Health Service Needed

THE RT HON. LORD INMAN, P.C., President of Charing Cross Hospital, was guest speaker at last week's luncheon meeting of the London and District Society of Chartered Accountants.

Lord Inman, who has been associated with the hospital for nearly a third of the 150 years since its foundation, pointed out that the hospital service was 'vastly different' from what it was when he first started his work in 1921. 'Then every penny we needed had to be begged from voluntary sources'. Today they worked under the National Health Service Act. When the Act was passed in 1948 it was said the cost must not exceed £300 million a year but this year it was £1,300 million, of which £900 million was being spent on the hospital service - that is, £50 for every household in the country.

'I believe', said Lord Inman, 'the time has come when there should be a cool and realistic look at the working of this measure'. He thought that substantial help would have to come from sources apart from the State. Various suggestions had been made, such as restoration of charges for prescriptions (old-age pensioners and those in need being exempt), and perhaps a form of payment for the keep of a patient whilst in hospital.

He suggested, however, that voluntary support - of which, of course, there was already valued evidence - might well have to be enlisted. He was satisfied that there was an enormous potential of such support



Three successful management information courses were held at the Hotel Metropole, Brighton, last week by The Institute of Chartered Accountants in England and Wales. The courses were each of four days' duration, running concurrently, and among the subjects covered were 'Return on capital invested'; 'Sales forecasting'; 'Management ratios and inter-firm comparisons'; 'Applications of operations research' and 'Network analysis'. In addition to the lectures there were a number of case study sessions.

Some members meeting between sessions are pictured above. **Top left, left to right:** Mr C. J. Grey, A.C.A., case study leader; Mr P. S. Condon, B.A., A.C.A., of Bradford; Mr J. R. Potts, F.C.A., J.Dip.M.A., a speaker; Mr D. E. Hammett, F.C.A., of Bristol, and Mr J. K. P. Wenban, A.C.A., of Ipswich. **Top right, left to right:** Miss M. Mannington, F.C.A., of London; Mr A. D. Gordon, M.A., F.C.A., a course director; Mr J. F. Allan, F.C.A., a Council representative. **Bottom right, left to right:** Mr L. G. Livett, F.C.A., of Leeds; Mr D. W. Hooper, M.A., F.C.A., Technical Officer of the Institute; Mrs J. Jackson-Cox, B.Sc. (Econ.), A.C.A., of Coventry; Mr J. N. Caws, F.C.A., of Hounslow, and Mr J. S. Martin, A.C.A., of London.

ready and willing to be tapped. There were already 715 League of Friends in the country serving 1,500 hospitals, with a subscribing membership of over a million people.

The League serving Charing Cross Hospital had raised over £40,000 since it was started about fourteen years ago and over one hundred and fifty people from old-age pensioners to schoolchildren were giving their services to the hospital. A retired company director

made out record cards in 'Casualty'; schoolgirls manned lifts in their spare time; a Civil Servant acted as receptionist in the front hall in the evenings; there were volunteers in the laboratories, general wards, cardiac department and maternity ward. All were not only doing a magnificent job – they were saving the hospital a large sum of money. He hoped these voluntary services and support would be encouraged and extended.

This is My Life

by An Industrious Accountant

WHEN the office manager's wife, the Hairpin, some time ago wanted to return to work with us from boredom with the domestic tedium of their flat, it may be recalled that I had certain premonitory qualms. Her talent for trouble-making had been extensive and peculiar in her single days; to invite a renewal of friction seemed foolish. However, for various reasons she got her way.

As Shakespeare remarked of a more queenly character: 'Age cannot wither her, nor custom stale her infinite variety'. The Hairpin's maturer barbs though perhaps more rare were as deadly as ever, so I solved my immediate problem by passing her on as personal secretary to Ilkley, our shirt-factory manager. That hard-headed realist decided to harness her energy into constructive welfare channels amongst his less intelligent female staff – with, so it seemed, excellent results.

At length Ilkley sent her away on a supervisors' training course (whether to sharpen her impact or to obtain temporary respite from her tongue, I don't know) and she returned bristling with the new jargon of management. Motivation, she crowed. Positive inspirational leadership group-wise, horizontal communication function-wise, qualitative hierarchical dichotomy, and so on. Productivity rocketed in her section after only one walk-out and two shop stewards resigning, and Ilkley, half glad and half bewildered, looked like the fabled pioneer who held the tiger by the tail.

At first the office manager watched his spouse's career aghast, but gradually his embarrassment changed to admiration. He developed on parallel lines. Previously he had been a dedicated old-fashioned retainer – punctual, meticulous, and hardworking. He gave unasked counsel regularly and readily to his staff, followed up every problem and sought briefing about every detail. His charitable good intentions were obvious to

all, and he evoked co-operation and emulation; his office ran with brisk efficiency.

He's a changed man nowadays. I realized this metamorphosis when, on dropping in to his room for a preliminary chat on typing-pool replacements, I found him sitting back comfortably, legs crossed, reading a business journal. His relaxation was complete. His detachment from common work-a-day burdens was blissfully deliberate.

Replacements? he reflected. Oh, he'd delegated that job to young Smith, who'd be reporting back with a firm recommendation in due course. He hardly thought he should personally get bogged down in that sort of petty detail. When I queried the story of all last week's Hosiery Department's dockets being mislaid, leading to uninvoiced sales as well as a shambles in the punched-card section, he was equally unconcerned. Miss Brown was chasing that up, he said casually; she'd probably report tomorrow or the day after.

His wife, he roused himself to say, had recounted to him the revolutionary highlights of her course. Managers, she had expostulated, should now be recognized primarily as administrators. Their job was to motivate their aspiring staff, and train them for personal fulfilment of planned career objectives, and then re-deploy them to achieve enhanced efficiency – following joint consultation, of course.

His functional and moral responsibility, as he now saw it, was to implement the aim of an economically viable satisfaction-oriented office organization, rather than to lose perspective in the rough-and-tumble of imperfect systems.

His desk, I noticed, was virtually bare of papers. His two morning newspapers were rumpled and well read. New wine had been poured into an old bottle – and the old bottle enjoyed every drop of it. He glanced at the sole letter on his desk, scribbled 'For J. Jones's attention' on it and dropped it in his 'out' tray. 'I propose to do a grass-roots study of the probable structure of the optimum office organization as it should emerge in five years' time,' he announced crisply.

I wished him well and departed, rather bemused, to think about it. If he goes on like this I know where he (and the Hairpin) will probably be in considerably less than five years' time.

Close Company Income Apportionment

by H. S. A. MACNAIR, F.C.A.

SECTION 77 of the Finance Act 1965 provides that if in any accounting period of a close company there is a shortfall in the company's distributions, then the prescribed amount is to be assessed on the company by way of a notional charge to income tax. Section 78 follows this up by enabling the income of a close company for any accounting period to be apportioned for the purposes of surtax by the Board of Inland Revenue among the participators, that is, persons having a share or interest in the capital or income of the company.

Particular instances of participators involve consideration of a person's possession of, or entitlement to, specified facilities – an approach which includes present entitlement to act at a future date and a prospective entitlement at such a date. Facilities specified include the securing that income or assets, whether present or future, of the company will be applied directly or indirectly for the person's benefit, and also include the acquisition of share capital, of voting rights, of the right to receive or participate in distributions (Part I of Schedule 11, Finance Act 1965) or any amounts payable by the company in cash or in kind to 'loan creditors' by way of premium on redemption.

Loan creditors

For this purpose a 'loan creditor' is to be deemed to have an interest in any 'investment company' to the extent that the income to be apportioned, or assets representing it, has or have been expended or applied (or are available for the purpose) in redemption or repayment or discharge of the loan capital or debt (including any premium thereon) in respect of which he is a loan creditor.

The expression 'loan creditor' applied to a prospective participator does not include a person carrying on the business of banking as regards any loan capital or debt issued or incurred by the company for money lent to it by him in the ordinary course of that business. Apart from this, the term 'loan creditor' means a creditor in respect of any redeemable loan capital issued by the company; or a creditor for any debt incurred by the company for any money borrowed or capital assets acquired by the company, with an extension to debts incurred for any right to receive income created in favour of the company and also for consideration the value of which to the company was, at the time the debt was incurred, substantially less than the amount of the debt, including any premium thereon.

The right of apportionment conferred on the Revenue is perhaps to be regarded as mandatory rather than permissive, and the duty has an enlarged scope where there is an 'add-back' representing amounts which were deducted in respect of annual payments in arriving at the company's distributable income for the accounting period and which, in the case of an individual, would not have been deductible or would have been treated as his income in computing his total income for surtax.

Amount to be apportioned

Moreover, except in the case of a trading company there may be apportioned, if the Revenue see reason for it, the whole of a company's income for an accounting period up to the amount of the required standard together with the amount of any 'add-back' as referred to above. In order to preserve the equipoise with shortfall principles, however, it is necessary to assign a modified character to the required standard which for this purpose is to be treated as reduced to the extent to which the company could not make distributions up to the normal required standard without contravening some restriction imposed by law to which the company is subject as regards distributions.

Action by the Revenue is permitted notwithstanding that there has been no shortfall in distributions for that period but section 78 (3) calls for such reduction, if any, as may be just in respect of distributions made for the period to persons other than participators and their associates. As mentioned above, this dichotomy is not permissible in the case of a trading company but if its income is apportioned the amount of the 'add-back' is still to be included.

In this connection the original terms of section 78 (4) of the Finance Act 1965 were found inapt and replaced by a reference to the amount of the shortfall taken into account in making the notional income tax assessment (paragraph 10 (1), Schedule 5, Finance Act 1966).

One may note here also that as respects accounting periods beginning after April 11th, 1967, sections 77 and 78 are to continue to apply notwithstanding the winding-up of a company or the passing of any resolution or the making of any order or anything else done for the winding-up of the company.

It seems, therefore, that the separation of the required standard from distributions, in the context of non-trading companies, is designed to give the Revenue greater flexibility in assigning the burden of surtax to those most likely to benefit by retentions in

investment companies and perchance to forestall tax avoidance measures.

Investment companies

An 'investment company' in the context of close company rules, means a company whose income consists wholly or mainly of investment income (paragraph 11 (1) of Schedule 5, Finance Act 1966). The latter term is defined in accordance with paragraph 8 (1) of Schedule 18, Finance Act 1965 as income which, if the company were an individual, would not be earned income (as to which, see section 525 of the Income Tax Act 1952) together with amounts representing apportionments from other companies and amounts to which the character of investment income has been attached by specific legislation in this context.

One may observe that a 'trading company' is any company which exists wholly or mainly for the purpose of carrying on a trade. The term also includes any other company whose income does not consist mainly of investment income. Although the definitions of 'investment company' and 'trading company' are not expressed to be mutually exclusive, they do in fact appear to be complementary.

The guiding light for any apportionment made under section 78, including any sub-apportionment of an amount directly or indirectly apportioned to a company, is mounted in subsection (5) and is directed in the first instance to the 'respective interests' of the participators in the company in question.

Respective interests

An important point to note is that, in determining the 'respective interests' of participators for the purpose of apportioning income in accordance therewith (an exercise which includes both original apportionment and sub-apportionment), the Revenue may, if it seems proper to them to do so, attribute to each member an interest corresponding to his interest in the assets of the company available for distribution among the participators in the event of a winding-up.

The Board of Inland Revenue are also invested with further powers to have regard to underlying interests in the case of a company which is not a 'trading company'. Indeed, any person may at the Board's discretion, fettered by the rules noted below, be treated by them as a participator for apportionment purposes if they are of the opinion that he is likely to be able (or is able) to secure that income or assets, whether present or future, of the company will be applied either directly or indirectly for his benefit. In so doing the Revenue may apportion to those persons (a term defined as inclusive of spouses) such part of the income of the company as appears to them to be appropriate and may adjust the apportionment of the remainder of the company's income as they may consider necessary.

As a corollary, section 260 (4) of the Income Tax Act 1952 (as amended) provides that where the Revenue have apportioned to a participator income of

a company, and the amount apportioned to any participator is less than the amount distributed to that participator by the company in respect of the period in question and includible in his total income for surtax purposes, then the excess is to be excluded therefrom. In this connection, the measure of the amount apportioned by the Revenue is to be that established on the final determination of any appeal which may be made.

In addition to the persons classed as participators at the Revenue's discretion as noted above, it is necessary to look to any person who is a participator but has no relevant interests in the company, provided that in the Revenue's opinion he is likely to be able (or is able) to secure that income or assets, whether present or future, of the company will be applied either directly or indirectly for his benefit. Similar remarks apply to a participator with relevant interests whose real potential is relatively greater than the value for apportionment purposes of his relevant interests would seem to indicate.

Relevant interests

'Relevant interests' here means, in relation to a person connected in any way with a company, interests by reference to which income of the company could be apportioned to him under general rules and their 'value for apportionment purposes' apparently denotes their proportionate stake in a share-out of apportionable income under general rules (section 260 (6) (c)).

In this context a person is to be deemed to be able to secure that income or assets will be applied for his benefit if he is in fact able to do so by any means whatsoever, whether he has any rights at law or in equity in that behalf or not. As regards the alternative case noted above of a person likely to be able to achieve that objective, the Revenue are authorized to draw an inference as to his potential, whether basic or at a level in excess of immediate appearances, only in the prescribed combination of circumstances.

Limits of Revenue's discretion

Despite the apparent wide scope of the powers of the Board of Inland Revenue, the fetters attached to their discretion are substantial. The basic feature which they are required to look for is a transfer, directly or indirectly, to the company of assets the value of which is not represented adequately, or at all, in the value for apportionment purposes of any relevant interests which the transferor may have in the company. Such assets include property or rights of any kind. Moreover the creation of rights is equated with their transfer.

Having next identified the persons who, whether as directors or shareholders or in any other capacity, have or will at any material time have powers or rights affecting the disposal or application of the income or assets of the company, the Revenue's discretionary powers of apportionment can only be brought into

play if they are satisfied that those persons are likely to act in accordance with the wishes of the erstwhile transferor or that the latter is able to secure that their substitutes at the material times will be of the same quality.

One aspect to be examined is that of the relationship between a loan creditor and a 'beneficiary' under a settlement, which for this purpose includes any disposition, trust, covenant, agreement, arrangement or transfer of assets. It is contemplated that the latter will be the means whereby the loan creditor is to be made to dance to the piping of the 'beneficiary'.

Beneficiary and loan creditor

In order to qualify as a 'beneficiary' it is necessary that, by virtue or in consequence of a 'settlement' as referred to above, the loan creditor has been or could be required by the 'beneficiary' to part with some or all of the 'payable sums'. More specifically, regard is had to 'payable sums' which have been or might be paid to the loan creditor by the company in redemption, repayment or discharge of the loan capital or debt, including any premium thereon, in respect of which he is a loan creditor including the assets or sums which directly or indirectly represent the 'sums payable' to him.

From a practical standpoint it is necessary to ensure the means to devise an apportionment and the powers extant under legislation applicable to the former surtax direction arrangements are applied in relation to surtax apportionment of shortfall by paragraph 10 of Schedule 18, Finance Act 1965.

Obtaining information

Thus, if any company on being required to furnish a statement of actual income from all sources fails or refuses to do so or renders a statement with which the Revenue are not satisfied, then the Revenue may make an estimate of that income to the best of their judgment. Again, section 117 of the Companies Act 1948 absolves a company registered in England from any duty to take notice of any trust – express, implied or constructive. Hence the registered owner of any shares may be required by written notice from the Revenue to state whether or not he is the beneficial owner of those shares and, if not, to supply particulars of the name and address of the persons on whose behalf the shares are registered in his name.

However, not all shares are registered, since section 83 of the Companies Act 1948 authorizes the issue of share warrants in bearer form transferable by delivery while bearer debentures are contemplated by section 104. Hence the Revenue may give written notice to a company which appears to them to be a close company, requiring it to supply particulars of any bearer securities which it may have issued, including the names and addresses of the persons to whom they were issued.

This information by itself is not likely to be of much use except in the case of recent issues so that the

Revenue are authorized to apply to those persons and to others to, or through, whom the securities were subsequently sold or transferred, with a view to obtaining such further information as they may require to assist them in the quest for the persons beneficially interested.

In addition to shares or debentures, the Revenue's powers in this context extend also to stocks, bonds, debenture stock and any promissory note or other instrument evidencing indebtedness issued to a 'loan creditor'.

Implementing apportionment

Notice of the apportionment is to be given by serving on the company a statement showing the amount of the actual income from all sources adopted by the Revenue and either the amount apportioned to each participator or the amount apportioned to each class of shares. If the company is not satisfied with the proposed apportionment, it may record its objection by notice of appeal within thirty days.

Normally, as a result of the process of apportionment, some amount will be attributable to an individual and the inclusion of this amount in his total income for the purposes of surtax is the logical conclusion of the process. However, section 78 (6) of the Finance Act 1965 eases the practical difficulties of implementing the legislation by ruling that regard is to be had to the amount which is includible in the participator's total income for surtax in respect of distributions made by the company in the accounting period. Only the excess over the latter amount of the apportioned amount is chargeable to surtax and even this is disregarded if it fulfils the twin 'smallness' tests, that is, if it is less than £100 and less than 5 per cent of the amount apportioned.

Amount attributable to individual

Where an apportionment has been made of the income of a company, surtax is to be assessed and charged, subject to the minimum exclusions noted above, in respect of the sum so apportioned which may perhaps be designated the participator's 'portion'. This 'portion' is to be deemed for the purposes of surtax to represent income from the participator's interest in the company for the accounting period in question, and is to be deemed for those purposes to have been received by him at the end of the accounting period to which the apportionment relates. Furthermore the 'portion' is to form part of his total income and to be deemed to be the highest part of that income.

Again, it will be recalled that section 77 (6) provides for the utilization of shortfall previously assessed by matching with a later surplus of distributions over the required standard (suitably refined) and there is a somewhat similar rule for surtax whereby undistributed income which has been assessed and charged to surtax can be utilized on the occasion of its distribution if the distributions for the accounting period

exceed the 'required standard' (section 77 (2)). For this purpose the ratio of that excess to the whole distributions for the period is ascertained and this fraction is applied in individual cases to identify the amount of the distribution made which is exonerated from (further) surtax.

Responsibility for payment

Any surtax chargeable on the 'portion' is to be assessed on the participator in the name of the company. All the usual surtax procedural rules are to apply, although in the first instance the surtax is payable by the company. The onus of meeting the surtax liability is, however, passed around as if it featured in a game of ball. In the first instance a notice of charge to surtax is to be served on the participator who is assessed and he has a twenty-eight-day option in which to bring

it to rest in his own court. Unless he elects to do so, a separate notice of charge is to be served on the company.

Nevertheless, each serve still has some bounce left in it. Should the participator first served fail to pay the tax within twenty-eight days of the date on which he elected to pay or (if later) by January 1st after the end of the year of assessment concerned (September 1st, 1967, for the 1965-66 supplementary 10 per cent) then there is a right to recover the surtax from the company. A similar right springs up against the participator where the company has not made due payment before the expiration of three months from the date of service or before January 2nd in the year next following the year of assessment, if later (September 2nd, 1967, for the 1965-66 supplementary 10 per cent).

The Accounting World

Topics of Professional Interest from Other Countries

GERMANY

Business Management Conference

A BUSINESS management conference arranged by the German Business Management Association in Berlin which took place in October is reported in *Die Wirtschaftsprüfung* for November 15th. The theme was 'Stability through management flexibility'. The large number of speakers included Professor Dr. L. Pack who, in dealing with 'Recent investigations into and opinions on business management', said he regarded as the most important step forward the change in the attitude of management teachers in recent years. He referred particularly to the development of special criteria relating to accounts, which were essential in describing and explaining business methods, and also to the creation of an effective discipline in a science which aimed at obtaining recognition and making pronouncements on the ways and means by which businesses can best achieve their objects.

It is clear that management teachers must understand the practical applications of their knowledge. Dr Pack laid special stress on quantitative investigations, and on including in management instruction the effects of various methods of procedure, as well as examination of decisions taken by companies.

Dealing with 'Market trends in framing financial policy', Herr Hans E. Buschgen said that in deciding on financial strategy at any given time, three factors had always to be considered, namely, whether there were signs of a recession; any indication of an immediate decline; and the appearance of the general economic trend.

Other subjects included 'Financial planning and management flexibility', 'Changes in management structure and flexibility in organization', 'Cybernetics and organization', 'Manufacturing costs from the viewpoint of management, commercial law and taxation law', 'Flexibility of management capacity in changing programmes'. Understandably the new added value tax took a prominent place in the discussions.

AUSTRALIA

Annual Report of Australian Institute

MEMBERSHIP of The Institute of Chartered Accountants in Australia at June 30th, 1967, numbered 5,212 according to the annual report of the Institute's General Council. A summary of total membership shows that there were 2,836 members in New South Wales, 1,189 in Victoria, 458 in Queensland, 313 in South Australia, 309 in Western Australia and 107 in Tasmania.

On examinations, the report expresses disappointment in the low level of pass percentages. Examiners, the report states, consistently list the chief causes of failure to be lack of knowledge of the subject through inadequate preparation, inability of candidates to express themselves clearly as well as an element of carelessness in reading questions. To assist candidates in the latter, the Council is now permitting ten minutes' reading time before commencing to answer question papers.

The report strikes a brighter note when referring to continuing education courses, recording that the Council has been particularly pleased with the interest shown by

members in their development. Initiated by the Institute's Research Society in New South Wales, they have now expanded to the extent that they are being conducted throughout the country under the auspices of each State Research Society.

The General Council has continued to maintain liaison with the Australian Society of Accountants on matters of common interest and, as referred to in *The Accountant* of October 14th, the report notes that discussions are continuing between the two bodies on the possibility of integration.

UNITED STATES

Auditors Called in by Insurance Firm

MESSRS ERNST AND ERNST, of Cleveland, have been engaged to conduct the first audit of the Liberty National Life Insurance Co of Birmingham, Alabama, that has ever been undertaken. It is reported in the November issue of *The Journal of Accountancy* that this follows the discovery that 'a substantial sum of money was misappropriated', and a premium department head has been charged with embezzlement.

The firm is classified as among the twenty-five largest stock insurance companies in the United States, with assets of \$581 million, insurance in force to the value of \$3,700 million and a net gain, after taxes, of \$13,800,000. The loss will not significantly affect the financial statement, it is stated, since shortages thought, until recently, to be legitimate expenses were reported as such.

C.P.A. Experts in Management Information Systems

COMMENTING on an address by Professor H. Justin Davidson, C.P.A., at the annual meeting of the American Institute of Certified Public Accountants, an editorial article in *The Journal of Accountancy* for November regards as startling his contention that, for C.P.A.s to continue to perform their traditional audit or attest function, they must become experts in management information systems. With knowledge of information management, said Professor Davidson, the auditor would be in a uniquely advantageous position to render extended management services.

Perhaps the most interesting prediction of all is Professor Davidson's conclusion that C.P.A.s will probably be asked to extend their attest function to other areas in addition to financial statements. He rightly shies away from any thought of subjective evaluation of management performance, but thinks the C.P.A. could well give his opinion on such matters as the adequacy and timeliness of information flows. *The Journal of Accountancy* comments that it is refreshing to see the C.P.A.'s future as a natural but very rapid growth and extension of his present functions.

Accounting for Human Assets

UNDER the heading 'Reality in management', Dr George S. Odiorne, Professor of Industrial Relations and Director of the Bureau of Industrial Relations, refers to the concept of accounting for human assets in the November issue of *Michigan Business Review*. He says it has been apparent, for some time, that 'goodwill' comprises a pool of talent available for future tasks in an organization. He traces it to a suggestion of Dr Theodore Schultz, an economist, in his presidential address to the American Economic Association in 1959, and he finds it by now firmly

rooted in the programmes of the United States Department of Labour's manpower administration.

The idea is that human capital is an asset to be carried on the corporate books and depreciated and maintained like other assets - a possibility for the economist or psychologist but not yet for the tax man, the accountant or the vice-president of finance. Acceptance of the concept will, he says, call for changes in law, accounting and accounting conventions. He finds precedents, in certain defence contracts, for return on investment taking into account the prior expense of gathering certain kinds of engineering talent together, in estimating the rate base.

Reporting on Tape

MORE than four hundred and fifty business firms used magnetic tape, instead of paper, for 28 million reports to the Inland Revenue Service covering payment of wages, interest, dividends, and other types of income during 1966, according to a recent issue of *The Financial Executive*.

Before 1965, these reports were acceptable only as paper documents. In 1965 more than 18 million magnetic tape reports were filed.

CANADA

Canadian Institute's Career Film

THE Canadian Institute of Chartered Accountants has released *Men of Account*, its new career film. Arrangements have been made for its distribution to high schools and service clubs, and for television showing across Canada.

A 16 mm. twenty-minute colour film, with professional actors, it illustrates the significance of accounting in modern business by portraying a young C.A., in a medium-sized public accounting firm, as he helps to solve the problems of a small building company with its accounts in a mess, a medium-sized, poorly-run electronics company with a hint of a swindle, and a nation-wide corporation that is computerizing its organization.

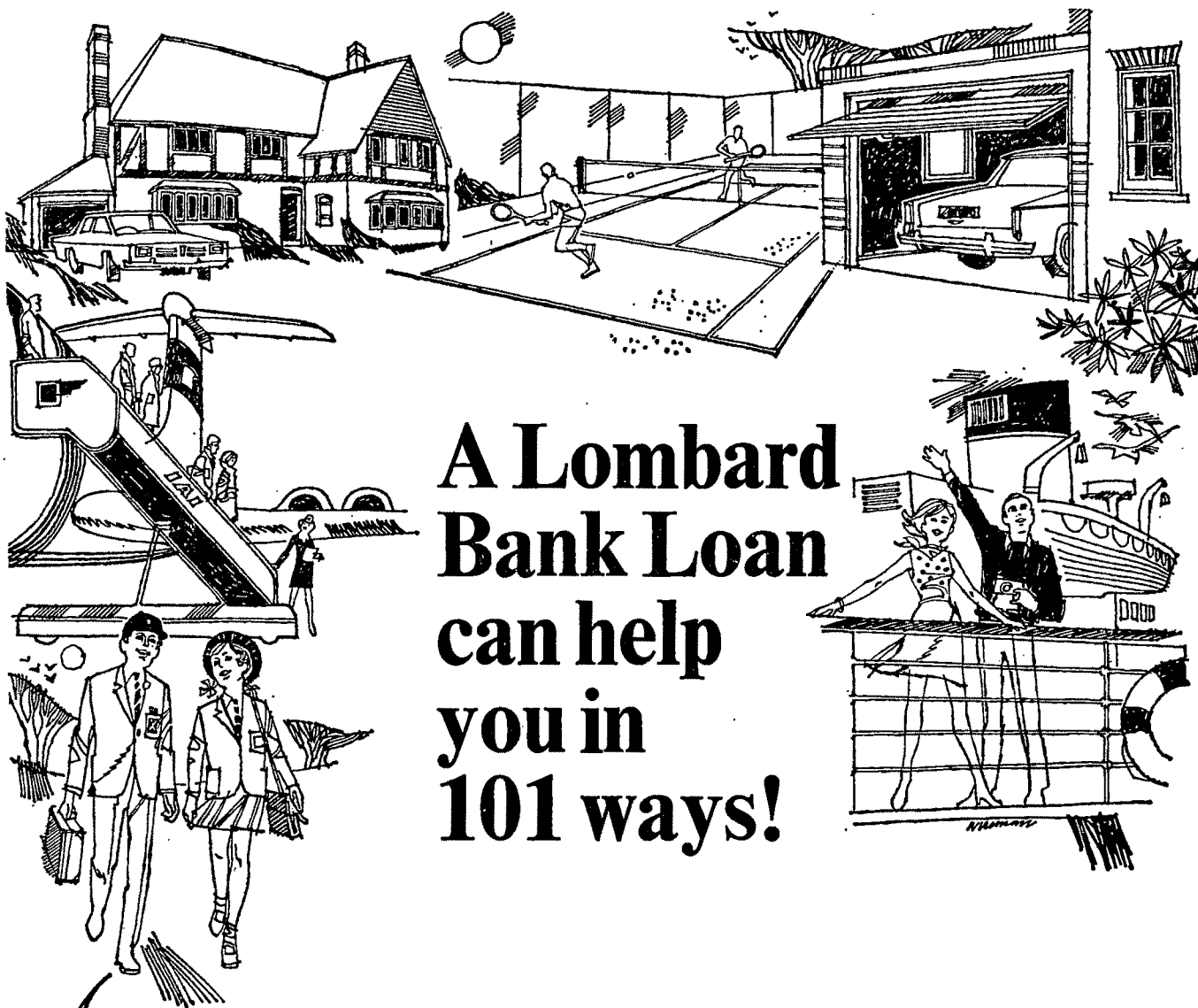
BELGIUM

Competition for Accountancy Lecturers

DETAILS are given in *Echo* (Brussels) for November, of a competition for lecturers in accountancy sponsored by the Association Nationale des Comptables de Belgique (A.N.C.B.) The object is to arouse greater interest in professional problems among present and future accountants and to raise the standard of public speaking.

Each year a meeting will be held on the third Saturday in November at which four candidates, selected by eliminating tests, will present papers on a given subject to be announced in September of the preceding year. Two will speak in Flemish and two in French. Only members of the A.N.C.B. and final year students at recognized commercial schools and colleges may compete. The first competition will take place on November 16th, 1968, the subject chosen being 'Amortizations'.

The winner will be decided by the votes of a jury composed of professional accountants and instructors at commercial education establishments. A presentation cup will be awarded annually to be held for one year by the body to which the winner belongs or at which he has been trained. Commemorative medals will be given to the other participants.



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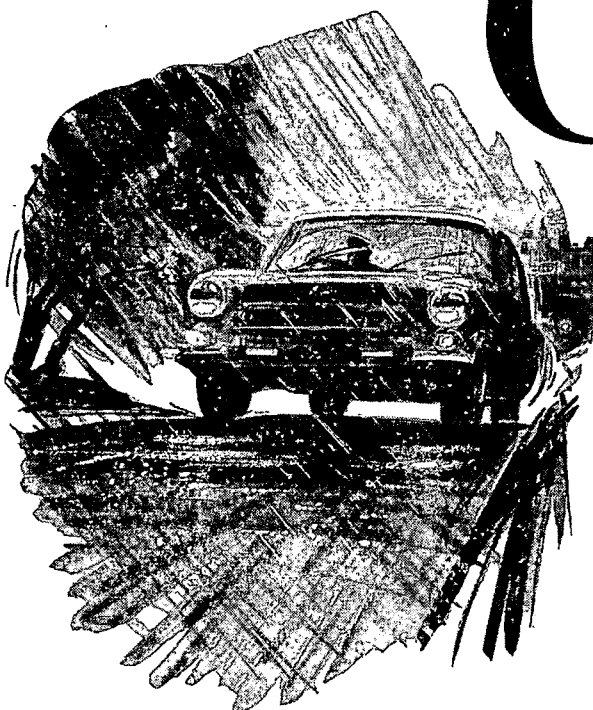
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From Shield Factors' Files

The Cheque that had to be Chased



"Can I see you a minute, Mr. Ambrose?"

A rather worried-looking Miss Bunting put her head round the door.

"Of course, Miss Bunting! What can I do for you?"

Jack Ambrose, the only working director of Ambrose Autocessories Ltd., put on his happy, hearty, boss-face but had a nasty feeling he knew what her next words would be. And he was right.

"It's Thursday and the Pettiford cheque hasn't arrived, Mr. Ambrose. I've been on to them but just get put through from one department to another."

"I see" said Jack Ambrose, thoughtfully. But of course he did not "see" at all. The fact was that they relied on getting the Pettiford cheque each Thursday to pay the week's wages. If it didn't arrive in time . . .

"I'll give Mr. Pettiford a ring. Leave it to me, Miss Bunting" he said, exuding a confidence he certainly didn't feel.

* * *

Time passed. After several calls and a lot of "holding the line" he'd done no better than Miss Bunting had. There was only one thing for it. He'd have to drive over there. A

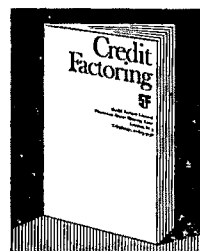
miserable journey, in pouring rain, and several hours completely taken out of his day. It was a damp, depressed director who arrived at Pettiford's—to find his invoice had gone astray but had since been traced, and they'd shortly have his cheque ready for him.

"This sort of thing must crop up all the time with small firms" he reflected, as he drove back through the relentless rain. "Better have a word with that accountant chap. There must be an easier way than this."

* * *

He was right. His accountant told him about Shield Factors' service which gives manufacturers and merchants an assured cash in-flow, the amount depending only on their sales. There are other benefits, too. As a Shield client, Jack Ambrose need never have another bad debt. He has been saved the cost and bother of ledger keeping, debt collection and account rendering. He can have access to additional finance when he needs it. And freed from his "Black Thursday" bogey he can spend all his time on production and sales—the job he's really in business for!

* * *



* Details of Shield service are given in this booklet: "Credit Factoring", a copy of which is waiting for you. Write or 'phone (asking for Mr. F. R. Salinger or for Mr. E. S. Davis) and it will be sent to you by return.

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The Presentation of Accounts

by JOHN D. RUSSELL, M.A., F.C.A.

I HAVE taken the subject of this address as meaning the form and general content of annual reports and accounts sent to shareholders by public companies and I shall not, therefore, spend much time discussing precise legal requirements which differ in minor respects between our respective countries. I am more concerned with best practice and there are, of course, many examples of best practice preceding legislation rather than following it. On the other hand, we in the U.K. have just been given a new Companies Act after twenty years of working under rules established in 1947, and from time to time I shall mention in general terms some of the new requirements as they are going to affect published accounts in England.

I am sure no reminder is needed that the form of the report and accounts is primarily a responsibility of the directors of the company – and, as everyone well knows, they do not always agree with their financial advisers!

Form and adequacy of accounts

When considering the form and adequacy of annual accounts one thinks first of the shareholders; probably because it is to them that the law requires the accounts to be sent. I have heard it suggested that if it were not for the legal requirements shareholders would be satisfied with a postcard! The postcard would contain only the essentials such as the profit for the year (and the corresponding figure for the previous year), the rates of dividend paid and proposed (and the rates last year), the time and place of the annual general meeting, and a tear-off section which could be sent to the company secretary, postage paid, if full accounts and further information were required.

It is true that in this way some unfruitful time and expense could be avoided but as will be well known, there are two flaws in this suggestion. First of all, shareholders not only want to know how the company has been doing during the past year, but even more they want to know what it has been doing, how and where it has been doing it, and what the future holds in store. Secondly, there are many others beside shareholders who are keenly interested in a company's affairs, and I am thinking not only of investment analysts, but also of employees, suppliers, customers, bankers and credit rating agencies.

Investment analysts need reliable and comprehensive information to enable them to give the service required of them, and we must remember that it is in a public company's interest to see that the financial world is fully informed about its affairs because from time to time the company will want to raise more capital and it is important

that the company should have a good reputation as an investment.

It will improve morale and give a sense of purpose to employees of a company if they receive up-to-date information concerning the organization for which they work, however small their personal contributions may be. Relations with suppliers can also be influenced to a large extent by telling them more about the destination of their products, and customers are equally interested in the source of their materials and components.

Furthermore, in some circumstances, a well-produced annual report can have remarkable value as an advertisement of what the company offers for sale. One has only to realize the increasing proportion of women as opposed to men shareholders and that in the average home women spend over two-thirds of the family housekeeping money, to appreciate why companies in the retail trade devote so much effort to the production of informative annual accounts.

For all these reasons it has become customary for the larger companies in industry and commerce to issue annual reports which go far beyond what is legally necessary. As a general rule the standard of production is high – over-elaborate perhaps in some cases – but I have seen very few where the desire for self-advertisement has led to displays of bad taste. This is understandable because no one is going to risk giving offence to the sort of people who are likely to read these important documents.

Modern design

With the elaboration of annual reports since the war, increasing use has been made of modern methods of presentation with new type faces, different colours, illustrations, graphs and pictograms; and a new kind of professional adviser has emerged – the typographer – specializing in the design of annual reports. Early attempts of these people to produce something distinctive were not always successful, but now that they realize the significance of company reports and appreciate not only the legal requirements but the needs of those likely to read them, a very high standard has been set. Nevertheless, those responsible for the accounts must not be led by the nose. One still sees from time to time an early vintage of modern typography which many find very irritating. I have particularly in mind the omission of capital letters at the beginning of sentences which, coupled with complete alignment on the left and no full stops, can make it very hard to identify the narrative in the accounts to which the figures relate. I am glad to say that this is on the way out. Another bad habit is the use in the heading of accounts or notes of the same special colour as is used for previous year's figures, but this is sometimes done to avoid the expense of a third colour.

When very large figures, that is to say, several millions, are involved, it is becoming customary to omit the hundreds, tens and units, making it clear in the headings that the figures are given to the nearest thousand. In cases, however, where the figures range down to below £100,000 I am inclined to prefer adding three noughts in place of the discarded hundreds, tens and units, as their complete omission can give a false picture of the true magnitude of the figures.

The cover

When receiving the report and accounts of a company the first one sees is the cover and it is most important that this should give a favourable introduction to the contents. No one would suggest that the cover should not make an impression; but ostentation should be avoided. The company's name and the year of account should be clearly stated and although it is customary to show the company's house-mark or trade-mark on the cover, it is usually considered best to confine to the inside pages pictures illustrating the company's activities. The overall colour is sometimes changed annually to enable the reader to distinguish one year's accounts from another, but it is generally desirable that for ease of filing the overall dimensions should not change from year to year.

It is desirable not to leave till too late in the document a brief description of the company's business. If this can be stated simply, the cover is a convenient point at which to give this information; but in any case the reader should not have to proceed as far as page twenty-seven (as in one case I know) before he can find out what the company does. The new English Companies Act requires the principal activities of the company and its subsidiaries, if any, to be given in the directors' report which is now evidently intended to give the salient features of the company and its operations during the year.

The directors

It has been usual to give a list of the directors and other senior officers of the company in the front of the annual report, but the Companies Act 1967, requires the names of all directors to be given in the directors' report; as a result the separate list is likely to be discontinued.

It is probably going too far to suggest that the report should contain photographs of all the directors (especially as photographs do not always tell the truth), but so much depends on the management that I think that more information should be given about them. Discretion, or perhaps modesty, leads to suppression of their individual personalities and this is a great pity. After all, the board of directors is, or should be, one of the most important assets of a company, although it cannot appear in the balance sheet; until, therefore, it becomes customary to give more information about the directors in the annual report, the shareholders are entitled to receive it at the annual general meeting. There the directors should be clearly labelled, and the chairman should introduce each one by name, giving a brief description of his qualifications, experience and special responsibilities.

There is little that I can say about the notice of the annual general meeting which usually comes next. In the U.K. there is no need to give a detailed agenda of items which constitute the ordinary business, for example, adopting accounts, approving dividends, and electing directors –

unless one of them happens to be over seventy years of age, in which case special notice is required. I would, however, suggest that the time and place of the meeting should be made very clear and that special attention should be drawn to any change from previous years.

Chairman's statement

The position of the chairman's statement is a matter of personal choice. It is not a statutory document and should therefore be kept clear of the directors' report and accounts. It is, however, too important to leave to the end of the accounts, and I personally prefer to see the chairman's statement placed in front of the directors' report where it can, so to speak, set the stage for all the details which follow.

It is generally considered desirable that the chairman's statement should give information on the following matters:

- (a) The year's trading results in terms of turnover and profit analysed according to class of business, geographical location, home and export, and stating any special circumstances which affected the results favourably or unfavourably to a material extent. The new English Companies Act requires the directors' report to include an analysis of sales and profit but I think it best for the sake of completeness that the chairman's statement should also deal with such matters, possibly in a rather more general way.
- (b) The circumstances relating to any exceptional or non-recurring items shown in the profit and loss account which call for special comment.
- (c) The significant changes in the nature of the business, new activities, and acquisitions or disposals of businesses, which will be referred to in the directors' report.
- (d) Trading conditions since the end of the financial year and foreseeable future trends and the likely effect of political and other influences.
- (e) An outline of any material changes effected or proposed, in the organization or management of the company.
- (f) The financial implications of the directors' plans for the future, with a warning of any foreseen capital requirements.

There is also much to be said for including references to:

- (g) Relations between management and labour.
- (h) The relationship of earnings and dividends to the total capital employed, drawing attention to the limitations of this method of assessment.

If the company so wishes, it can top all this off with a photograph of the chairman, though care should be taken to see that the words in the statement which come near the picture are not incongruous. I remember the opening words of one such statement which came directly under the chairman's photograph and read 'God's gift to the world' – they were really referring to timber, the company's raw material!

One must remember that the chairman's statement is not a document required by law and auditors must not try to

dictate its contents. In my office we use the expression 'chairman's licence' to describe a chairman's freedom to put in his statement whatever he wishes in whatever form he wishes, so long as it does not render the annual report and accounts misleading in any way.

Directors' report

The directors' report is usually placed close in front of the accounts because they are both required by law to give certain information, some of which can be given either in the directors' report or in the accounts. In the case of group accounts it is usually convenient to place the directors' report, which includes the trading results of the holding company, opposite the consolidated profit and loss account in which the minimum reference need then be made to the profit dealt with in the accounts of the holding company.

The U.K. Companies Act 1948 was surprisingly general in its requirements of what should be given in the directors' report. It has, however, been customary to include in that report the main items in a holding company's profit and loss account which is not usually published, and these should include the holding company's profit before and after tax, exceptional items, transfers to and from reserves, interim and proposed final dividends, and the unappropriated balances brought forward and carried forward.

The new Companies Act 1967 requires the directors' report to give a great deal of additional information which may be summarized as follows:

- (a) the principal activities of the company and its subsidiaries and any significant changes during the year;
- (b) an analysis of turnover and profit or loss before taxation between the different classes of the group's business;
- (c) any significant changes in the fixed assets of the company or any of its subsidiaries;
- (d) where the market value of interests in land held as fixed assets is materially different from the book amount, the difference should be indicated as precisely as practicable;
- (e) information concerning any issues by the company during the year of shares or debentures;
- (f) the names of all who have acted as directors during the year;
- (g) information concerning contracts, benefits and shareholdings of directors;
- (h) the average number of employees per week and their aggregate remuneration for the year;
- (i) the aggregate value of exports;

and, for good measure –

- (j) the amounts of political and charitable contributions.

It is evidently intended that in future the directors' report should enable uninformed shareholders, that is to say those unacquainted with business matters, to obtain without difficulty a clear appreciation of the financial results of the year without having to struggle through a complex set of accounts with voluminous accompanying notes and statistics.

The accounts

Although company accounts are required by law to give certain information, there is no legal requirement concerning the precise form of the accounts or the order in which they are printed. The new Companies Act 1967 has not restricted the freedom given by the 1948 Act to produce group accounts in various forms, which may be complete consolidations or separate consolidated accounts dealing respectively with the holding company and one group of subsidiaries, and with other groups of subsidiaries, or may consist of separate accounts dealing with each of the subsidiaries, or of statements expanding the information about the subsidiaries in the company's own accounts, or any combination of these forms.

It was the Companies Act 1948 which introduced group accounts and made it compulsory to give a vast amount of information which had not generally been disclosed in accounts prepared prior to that time. Since then, considerable experience has been gained and a fairly well-established code of practice has grown up. For example, it is usual to give greater effectiveness to profit and loss accounts and balance sheets by relegating a considerable amount of the detail required by law to a separate page or pages of notes which are regarded as forming part of the statutory accounts. Several years ago companies in England began to adopt the vertical form of profit and loss account, in which it is so simple to show the balances of profit at different levels. The double-sided balance sheet remained popular until more recently, partly because the item future income tax could not be classed either as a reserve or as a liability. Since the advent of corporation tax, there is nothing to prevent the development of the vertical balance sheet in which capital and reserves are more clearly shown to be represented by assets less liabilities.

Some years ago an attempt was made to popularize a form of narrative accounts in which each figure was explained not by a few words – such as Machinery at Cost, Stock and Debtors, well known in business circles – but by longer sentences which it was thought the uninformed reader might better understand. Thus one came across narrative such as 'The amount we paid for machinery which is used in the company's factories' and 'The estimated value of raw materials, goods in course of manufacture and completed goods awaiting sale'. One was tempted to describe creditors as 'Those rascals to whom we owe money for goods and services supplied', and the tax charge could have been described as 'The Government's rake-off'. A lot of thought was given to this form of narrative accounts but they proved to be too lengthy for the informed reader and were not generally popular.

Recently, however, there has been devised an excellent arrangement which combines the advantages of the orthodox method with the narrative form. A good example are some accounts produced by Alenco Ltd in this modern form, and which received one of *The Accountant* Annual Awards last year. Here the figures are shown on the left-hand pages with conventional accounting narrative, while on the right-hand pages are brief explanations for the uninitiated.

Profit and loss account

It is now fairly general practice to place the profit and loss account, or consolidated profit and loss account in the case of a group, after the directors' report and before the balance sheets. People have come to appreciate that the results for

the year are of greater importance than the balance sheet, which is a historical document and not a statement of affairs.

It is usual to start the profit and loss account with the balance of profit on trading after charging all relevant expenditure, showing separately – either in a note or in a box inset – those items such as depreciation and directors' remuneration which have been taken into account and are required by law to be disclosed. It is not usual to include in the opening figure non-trading items, such as the income from the general investments of a manufacturing company or debenture interest, which are normally shown in the profit and loss account separately.

Considerable thought has been given to the accounting treatment of exceptional and non-recurring items. As a general rule abnormal events of one kind or another happen every year, and if the amounts involved are material it is best to show them separately in the profit and loss account before arriving at the profit for the year before tax, even if they relate to earlier financial periods. The idea underlying this is that it should be possible, by adding all the published profits together, to arrive at a reliable aggregate over a period – even if there has to be some adjustment between years for prospectus purposes. The opposite extreme – that is, extracting all the abnormal items and showing them below the profit for the year – leads to the absurd situation wherein the profit is shown at the figure which the client thinks he ought to have earned if everything had gone according to plan!

If an abnormal item is very large and quite exceptional – for example, a big surplus on revision of the basis of valuing loose tools – I think it is permissible to add it to the profit and loss account balance brought forward from the previous year, but if this is done the resulting tax adjustment should also be shown at the same point.

One of the objectives of a profit and loss account should be to show clearly the earnings which underlie the dividends for the year. For this reason it is not good practice to bring in the balance brought forward from the previous year until after the dividends have been dealt with. I know that this is a counsel of perfection so far as concerns some companies whose dividend cover is inadequate, but the right way should be recommended.

Plea for improvement

The Companies Act 1967 requires a good deal of additional information to be given in the accounts, particularly concerning the remuneration of directors and highly-paid employees. However, I do not propose to deal with further details of the profit and loss account, except to enter a plea for two improvements where I do not think that the existing law is being properly interpreted. The first of these which I have in mind concerns the elimination of pre-acquisition profits and profit attributable to outside shareholders in a group of companies. I consider that these should be deducted before showing the profit attributable to the holding company before tax, as it is only in this way that the accounts can show the cover for dividends before and after the tax charge, which may be very different to tax at the standard rate. Secondly, I deplore the practice of some property companies in adding back to the profit after tax expenditure on properties in course of development. If this expenditure does not represent a proper charge against the year's revenue, it should be eliminated before arriving at the profit before tax.

Balance sheets

It is natural to follow the consolidated profit and loss account with the consolidated balance sheet which shows the assets and liabilities of the group as a whole and the capital and reserves attributable to the shareholders in the holding company.

As a development of the vertical form, companies are increasingly showing their balance sheets in two sections, namely, 'capital employed' including reserves and long-term loans, and separately the assets less liabilities described as 'employment of capital'. In this treatment there is one small fallacy which is normally disregarded. The law requires accumulated depreciation to be deducted from the cost of the asset to which it relates and it is therefore eliminated from the employment of capital although, strictly speaking, the depreciation fund is part of the capital employed. It should also be remembered that there are limitations in the use of book figures as a measure of capital employed if no adjustment is made for inflation or intangible assets.

It is interesting that the Companies Act 1967 no longer requires capital reserves to be distinguished from revenue reserves. I suppose that this follows from the new rules whereby all amounts distributed to shareholders are taxed at the same rate regardless of their origin. In any case the distinction was not watertight because directors were permitted to label and treat as capital reserves, revenue profits which they did not wish to regard as available for distribution. To my mind it is more important to distinguish profits earned in the normal course of business from windfall profits and I personally prefer to keep the windfalls out of the profit and loss account, if this can be arranged.

Lack of unanimity

Under the old regime it was not unusual for the balance on profit and loss account to be classified as a revenue reserve. We have not yet had any experience of the 1967 Act, but I have the impression that the new meaning of reserve is not intended to include the unallocated balance on profit and loss account.

There is a surprising lack of unanimity amongst practising accountants on the proper treatment of investment grants which all U.K. companies now receive as a contribution from the Board of Trade towards certain classes of capital expenditure. The Scottish Institute has suggested that the credit should be taken wholly to reserve, with the corollary that depreciation of the new asset is calculated to recover the whole of its original cost. The English Institute is inclined to favour deduction of the whole of the grant from the asset concerned, depreciation being calculated on the net cost to the company. This is the way most of my clients have been treating these grants, but practice varies considerably.

The new Companies Act calls for further information concerning valuations of fixed assets in so far as they are incorporated in the accounts and requires the market value of all quoted investments to be shown. This seems eminently reasonable and merely follows what has been established as best practice. One can, however, encounter difficulties when one tries to comply with the new rules in special situations. It is clearly undesirable to value fixed assets for accounts purposes at more than their current use value, and preferably the valuation should not take into account any element of goodwill. May I also add a reminder that the quoted price of shares in a subsidiary held by out-

side shareholders does not necessarily indicate the value of the shares held by the holding company.

For a number of years shareholders have complained that they have not been given enough indication of the value of unquoted investments. In the case of unquoted equity shares our new Companies Act now requires an estimate of value to be made by the directors, and in the absence of such a value the accounts must disclose not only the dividends received but also the current and accumulated profits, less losses, attributable to the shareholding. The significance formerly attaching to trade investments is now withdrawn and it is accepted that investments should be grouped with fixed assets or current assets according to whether they are long-term holdings connected with the company's business or temporary investment of unused resources.

I doubt whether I need emphasize the desirability of setting up a tax equalization account out of which to meet future assessments which have been deferred by tax allowances. The principle is that provision should be made for any tax liability which may arise from realization of any of the assets at net book figures. In the U.K. it follows that provision should be made not only for corporation tax where this has been deferred but also for capital gains tax and betterment levy if property is shown at more than cost.

May I here make a personal plea for discontinuance of the words 'goodwill arising on consolidation'. All this means, or should mean, is the excess of the cost of shares in subsidiaries over the book value of the underlying net assets at the date of acquisition and until some acceptable brief alternative can be found this should be clearly stated in full.

It is usual for the balance sheet of the holding company alone to appear after the consolidated balance sheet. The holding company balance sheet is of less significance to the shareholders but it is required by law, presumably because it shows the assets available to meet the claims of holding company creditors.

Notes to the accounts

Attempts have been made to put the notes to the accounts – which contain a great deal of the detail required by statute – on the right-hand pages of the accounts, opposite the figures to which they relate. This has not been successful for two reasons: first, the notes are often too long for the space available; and secondly, the same note often relates to more than one figure and more than one account, so that duplication is inevitable. It has therefore become usual practice to place the notes on a separate page, or pages, following the rest of the accounts. Attempts have also been made to separate the notes relating to the consolidated accounts from the notes relating to the company's balance sheet, but this can also cause duplication and is not popular today. It is essential that the notes should be clearly referenced by paragraph numbers to the figures in the accounts to which they refer.

If the notes are extensive, for example, if they contain schedules and sub-consolidations giving important information, they are sometimes printed on folding pages which can be brought out and read alongside the account which they are designed to amplify.

It is in the notes where one should look for information concerning future capital expenditure, a very important subject. For many years the best companies have not been content to show the liability under signed contracts not provided for in the accounts. Indications have also been given of further capital expenditure which has been

authorized by the directors but for which there is as yet no commitment. In England this information is now required by law and it should make it easier to judge the adequacy of a company's liquid resources.

In the allotted span of this paper I do not have the opportunity to refer to the special problems of presentation which arise from the consolidation of foreign currency accounts, but I would mention one matter which can easily be forgotten. It is important to draw attention to any inability to remit overseas profits, and also to the overseas and home taxation for which no provision has been made but which would become payable if profits were remitted.

There is not much that I can say about the audit report. The form will be shortened as a result of the new English Companies Act. In view of all the unaudited information which now appears in annual reports, care should be taken to ensure that the audit report is properly referenced to the accounts (including the notes) to which it relates. It is best to place the audit report close behind the accounts and notes and not to permit statistical information for which the auditors do not take full responsibility to appear between the audit report and the accounts to which it refers.

Statistics

It has for some years been generally accepted that in normal circumstances the annual report should include a table giving a summary of the accounts of past years. It has been usual to give the salient features, such as the principal balance sheet figures, turnover, profits before and after tax, allocations to reserve and dividends, so as to afford shareholders and financial advisers an opportunity of reviewing the fortunes of a company over a substantial period. The Stock Exchange, London, now requires quoted companies to give certain of this information for at least five years, and although this is not required by law, it is recognized as best practice to give a full financial summary covering a period of ten years, if the figures are available.

To be really useful the statistics should do more than summarize the accounts of past years. They should include, for example, statements showing the sources and disposition of funds each year, the cash flow, analyses of capital expenditure, and other useful information.

There is a wide variety of ways in which the information can be given, and I cannot do better than draw your attention to the form of financial summary adopted by Guest, Keen & Nettlefolds Ltd which received one of *The Accountant* Annual Awards for its 1966 accounts. This summary covered four and a half pages and was specially commended by the judges, not merely for what it contained but also for the way in which the information was set out.

In addition to financial information there are other matters which can conveniently be dealt with in the statistical section. I have in mind as examples, statistics relating to manpower, location of factory premises, methods of manufacture, volume of production and methods of distribution. In the United States this sort of information and a good deal more is given freely. There they are proud of their achievements but in the U.K. there is still some reluctance to divulge what are regarded as domestic matters. One statistical statement which is becoming more popular is an analysis of shareholdings grouped according to size, and this is particularly useful when indications can be given of institutional and large family holdings; but this is only one of a number of matters on which investment analysts are calling for information. Need they be disappointed?

MANAGEMENT INFORMATION

Critical Path Analysis

A Tool for the Management Accountant

CRITICAL path analysis (C.P.A.) – or programme evaluation and review technique (PERT) as it is sometimes termed – can help the management accountant in various ways. Applications have been tried and tested, and the contribution of the technique can now be reviewed under two general categories:

- (1) as applied to accounting projects themselves, for example, preparing the budget for next year;
- (2) in the area of improvements in communication which are possible when C.P.A. is used in other spheres of management.

Accounting projects

It is nearly four years now since the British Productivity Council published, in *Eighteen Case Studies in Critical Path Planning*, an account of the examination by Colgate-Palmolive Ltd of the steps which have to be taken in preparing monthly accounts.

'Before its introduction the head office accounting department was held up in the closure of the monthly accounts through having to wait for production costs to arise from the plant accounting department.'

A network was drawn by a critical path analyst in conjunction with the plant accountant; duration times were given by the affected accounting staff themselves, and the information from the analysis used to balance the work-load arising.

The outcome was a saving of one day in the preparation of the production costs at the factory and this task is no longer critical in closing the company accounts.

No doubt the example of our American colleagues has helped to make this kind of project the most popular accounting application. Closing the accounts comes first in the league, but preparing the budget, the audit, and putting payroll on the computer, are all receiving attention by 'pertainiks'.

Critical path planning is an accredited operational research technique which involves the following steps:

- (1) Determine where a project begins and ends.
- (2) List the jobs that have to be done.
- (3) Chart the jobs in an arrow diagram (Fig. 1) so that the arrow sequence displays the dependency of one job on another.
- (4) Measure (or estimate) the duration of the jobs.
- (5) Apply the durations to the diagram and tidy it up to conform with the rules of procedure.
- (6) Analyse the time-pattern to see how the system affects the individual jobs.
- (7) Use this knowledge to achieve managerial objectives.

Use by accountants

In the case of closing the accounts, the managerial objective is closure as soon as possible, hence the outputs from analysis are used for shrinking the total project time. Fig. 1 shows part of the arrow diagram drawn to chart the necessary steps to effect the earliest possible closure of the accounts of a harbour authority.

Having this objective the accountant refrained from showing any resource limitations in the diagram – he assumed an infinite number of staff and a sophisticated general ledger system which avoided queueing for access. Hence his diagram could be drawn to display dependencies arising only from the accounting technique to be used, as opposed to sequence caused by limited skills among limited clerks.

It is nearly always best to approach the problem in this way, so that opportunities to save time (as by independent preparation of the draft accounts) are not overlooked in the preoccupation with traditional skills of staff. The only exception becoming recognized in accounting practice is the network for an audit carried out by a limited team remote from the home office. Here the resources are clearly so limited that a case may be made for showing that Jones himself cannot agree the depreciation provision until he has also verified a sample of the listed assets.

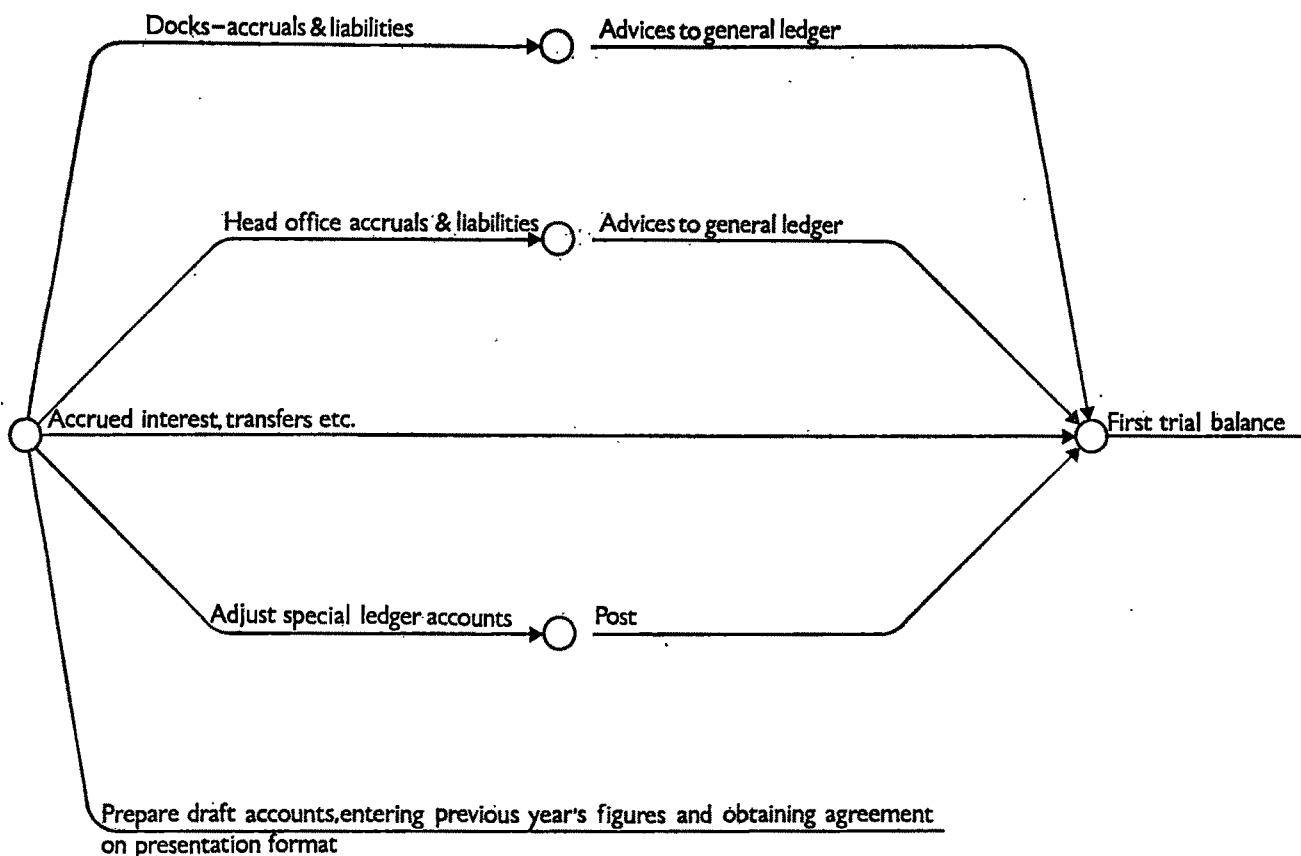
These finer points of application to accounting projects as such emerge after experiment and feedback. The value of the critical path method to accountants in (or auditing) large organizations is such that whereas, in the early work at Colgate-Palmolive Ltd the analyst prepared the network, today the accountant prepares it himself. It is *his* technique and *his* policy which are being displayed, once the C.P.A. procedure has been mastered.

Hence the emphasis placed on this aspect of operational research in the syllabus of the Certificate in Management Information. In the scheme of work devised by The Polytechnic School of Management Studies to meet the requirements of C.M.I., Paper III, twelve contact hours are devoted to critical path analysis – the planning system for major accountancy projects.

Improving communications

Critical path analysis can also help management accountants to contribute to management by improving communications in business undertakings. Accounting benefits can also accrue by the use of C.P.A. techniques in major projects which are not executed by the accountants. Such projects may involve construction, research and development, or major overhaul of sophisticated plant. Such were the cases upon which the pioneers formulated the technique when

Fig. 1



tackling chemical plant, Polaris and power-station overhaul.

But now critical paths are isolated in projects as diverse as new product launches, special promotion planning, office removals, mergers, and implementing new contracts of employment. In each of these it has proved valuable (following the lines described earlier) to:

- (1) Determine the start and finish of the task.
- (2) List the jobs to be done.
- (3) Work out sequence in an arrow diagram.
- (4) Measure or guess the duration of the jobs.
- (5) Analyse the model of the system to discover how it grips the individual jobs.
- (6) Use this knowledge to achieve managerial objectives; normally these are either shrinking resource allocation, or monitoring progress to maintain control.

Benefits to accountants

The advantages which managerial use of C.P.A. confers on accountants can be many and varied, but five particular categories have emerged:

- (i) advantages from constructing the model;
- (ii) assistance with accounting staff scheduling;
- (iii) assistance with expenditure budgeting;
- (iv) assistance with capital budgeting;
- (v) better budgetary control.

The order in which these items are listed follows only the

sequence of critical path method itself and is not intended in any way to rank the benefits. Items (ii), (iii) and (iv) are all consequences of the improved prediction of the future which flows from critical path analysis, but nevertheless are worthy of separate examination. Uncertainty about durations for certain activities in a project does not invalidate the claims – indeed, experience with C.P.A. brings the conviction that uncertainty strengthens the case for its use.

Constructing the model

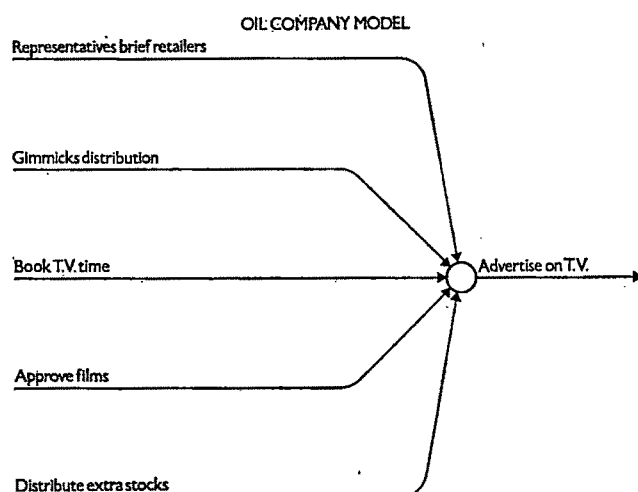
The arrow diagram is the enemy of muddle. In all sound operational research, to have built a satisfactory model of the real system is to have taken a stride forward in its management. In the case of critical path analysis the arrow diagram is the model, and devising it requires of managers that they think out, discuss and decide what must be done in sequence. An oil company launching a national petrol promotion is less likely to forget to provide the forecourt placards if it has rigorously examined the activities upon which a successful launch depends (see Fig. 2).

Since accounting staff are caused so much extra work by inadequate planning, in sorting out the consequences of muddle, they have a vested interest in the challenge which the arrow diagram represents.

Benefits from better time prediction

'Next month we shall make a dummy run. This will enable us to check the material and labour requirements. I shall

Fig. 2



want one of your people to go over the estimated costs very carefully.'

'Yes, but when next month? Not at the beginning of the month while we are still closing, I trust. And remember that there is a bank holiday. And Robinson has to go into hospital.'

If the new venture is being itself scheduled by critical path the general manager will know better when the special accounting service will be needed, and the planner will know if 'check the estimated costs' is an activity which has 'float', i.e. spare time, for its completion before the next job has to begin. Better scheduling and knowledge of 'float' enable the accountant to plan his own diary and schedule his key staff.

Assistance with budgeting expenditure is also furnished, not only because building the model helps to ensure that major items are not overlooked, but also because critical path method gives a much better idea of when the expenditure will be incurred. It is depressing to see the less robust department heads either spending frantically or lacking ink for their pens in the last week of a budget period, and on major items mis-timing can be reduced because critical path scheduling is more precise.

This capacity to predict the occasion of expenditure more accurately is of particular value to accountants under conditions of financial restraint, and probably applies more to capital expenditure. It is crucial to cash husbandry to know whether the new computer has to be paid for in this financial year or next. Greater precision here is likely to justify more expenditure on planning machinery, because the utilization of the capital item itself may depend on the outcome of trades union negotiations or operator training. Hence there may be 'float' on the activity 'obtain computer' with the date of paying the £100,000 capable of deferment for several weeks. With critical path planning this can be discovered as much as a year ahead.

Better budgeting control

A facility which network planning offers, but which is seldom used, is a range of displays for comparing actual progress through a project with what was originally intended. In so far as this informed monitoring does take place, it is usually done by reference to time, that is the work done

(say, in weeks' worth) compared with what ought to have been done in the elapsed period of weeks.

To discover what progress is being made in this way and to take action to restore the intended time-table is the essence of production control, and accountants benefit by liaison in this complementary function. A project that is on time is likely to be nearer to budget than one which is not. But this is not always so; time may have been 'bought' by unpremeditated overtime and extra expenditure on other resources. The master control is budgetary control. Can critical path, or PERT, method contribute directly to this?

PERT/Cost and budgeting

I.B.M. gave a fillip to this intention by making the PERT/cost facility available on one of their computers. Expenditure and time may be inter-related *provided* that costs can be assigned to activities, i.e. the arrows in the diagram. Costs can be totalled (by arrows) for thirteen weeks or for the whole project; this presents no great difficulty. The ball is in the accountant's court – can he assign costs per activity?

A budget for critical path control must be indexed by the activities on the network – not by the categories in the financial accounts analysis or the standard budget working paper. In practice this has proved to be extremely difficult. In a marketing project, for example, the work done by the advertising agency in connection with survey, proposals, artwork, point-of-sale material design, press advertising, poster advertising and TV, may have to be carefully planned job by job in the network, although the agency bill may not separately treat such items.

This particular snag was also recognized by I.C.T., in preparing the software for PERT on the 1900 series. I.C.T. offer a 'hammock' facility to give the accountant some freedom from the constraint of arrow-by-arrow budgeting.

If by hard work, 'hammocking', cumulative experience, or sometimes modifying the network to gain accounting feasibility, a budget can be prepared per arrow the computer programs offered by I.B.M., I.C.T., and other manufacturers can provide such information as:

- (a) total budgeted cost;
- (b) total up to week *n* (say to the end of the current financial year);
- (c) total if some other methods were used on certain jobs, and permutations of the alternatives.

If actual expenditure is also coded by arrows the facility can be extended to provide;

- (d) total actual expenditure to week *n*;
- (e) comparison of total actual expenditure to week *n* compared with the budget to week *n*;
- (f) graphs of cumulative figures for (b) and (d) on the same display;
- (g) 'earned budget' to week *n*, i.e. the total of the individual budgeted costs for the jobs completed so far;
- (h) graph of (d) and (g); and so on.

The comparison required for a particular management apparatus can be drawn either comprehensively by the computer, or built up by dialogue with the computer. This is surely the kind of commentary which management accountants seek to provide to their boards, and it can be done more readily if projects are subjected to critical path planning.

Finance and Commerce

Debenhams

THE accounts of Debenhams Ltd, the stores group, are noteworthy in three ways: they reflect trading conditions during a difficult economic period of credit squeeze and steeply rising costs; they are accompanied by a statement from Mr John Bedford, the chairman, indicating a very thorough reappraisal of the whole business, and they are the last to be presented on a basis which is peculiarly Debenhams' own.

That basis is that while Debenhams Ltd, itself, makes up its accounts at July 31st, the bulk of the subsidiary companies end their financial years on the traditional retail trade date of January 31st. This is now to change. 'With greater centralization and the fact that group trading statistics are now prepared on a 52/53-week basis ending on January,' says Mr Bedford, the annual report and accounts 'will not be unduly delayed if a co-terminus date is adopted by all companies'.

The next accounts presented will cover the period from August 1st, 1967 to January 27th, 1968, but these will, however, 'reflect the results for fifty-two weeks of all those companies which have hitherto adopted a January year-end'. A special dividend of not less than 1s 3d a share will be paid in June 1968, and for the fifty-three weeks to February 1st, 1969, the intention is to pay an interim dividend in November-December 1968 and a final in August-September 1969, thus ensuring that shareholders will receive a full year's dividend both in the calendar year 1968 and the fiscal year to April 5th, 1969.

Central buying

The chairman's reference to 'greater centralization' refers, in particular, to the group's central buying system which has been developed recently to the extent that departments accounting for over 40 per cent of the group's turnover of over £100 million are now linked to the central buying system. In the short-term, increased expenses stemming from duplication of local and central buying and unavoidable losses in discontinued merchandise will continue.

But the new policy is considered 'the right one for modern conditions of distribution'. Mr Bedford comments that 'departments that are centrally bought have shown a

satisfactory increase in sales. Had the remaining departments shown a similar increase, the effect on the group's profits would have been dramatic'.

As things were, group profits were anything but dramatic and trading profits fell by over £1 million. Half the drop was somewhat fortuitously made good by a profit of £527,389 made on the take-over of the Pringle of Scotland company in which Debenhams had a substantial investment. The closure of the Woolland Bros business and of a wholesale subsidiary in Brussels involved trading losses of some £200,000 which should eventually be offset by profit arising from sale of the properties. Other factors in the lower profits were higher operating costs (general and water rates alone were up £203,600) and a charge of £½ million for selective employment tax.

Property plans

When the central buying plan is fully implemented, a complete rationalization of Debenhams' retail outlets will be possible. A number of businesses and stores have already been closed down, but Mr Bedford comments that 'this policy of ensuring that the best use is made of the capital employed is vitiated to a great extent by the curtailment by the Government of home consumption, which is making it difficult to obtain reasonable prices for our surplus shop properties'.

Some years ago there were ideas in the Debenhams boardroom for developing certain store sites on a separate property development basis but the scheme was dropped. However, it has now come forward again, for Mr Bedford comments that 'escalating values have revolutionized the property scene' and it has been decided to transfer all the group freehold properties to the parent company. It is then intended to set up a property department 'charged with the task of scrutinizing the adequacy of the return from each property to judge whether it can be improved on, either by greater trading efficiency, or by a more profitable alternative use'.

The earlier property ideas were on the lines of going into property development on sites where the actual store concerned did not take up the whole site, which could be redeveloped as a commercial building complex with a new store forming part of it.

Close look

Another current store development trend within the group is to develop stores on the outskirts of London so as to provide local shopping facilities to supplement those provided in the centre of London which are at present handicapped by the cost of transport from the suburbs, traffic congestion and shortage of parking facilities.

The Debenhams report provides a full list of subsidiary companies and their location, but the only reference to turnover is the chairman's statement that sales (excluding inter-company sales) again exceeded £100 million. There is no indication of whether turnover was up or down. The last valuation of properties, it will be seen, was in 1957 for the majority of the freeholds, but presumably a closer current valuation will stem from the new property department moves.

Missing from the report is any running record of assets and earnings. But, all the same, Mr Bedford's comments indicate that the organization is preparing to take a very close look at itself and, to an extent, is already doing so.

DEBENHAMS LIMITED AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31st JULY, 1967

	£	1966 £	£	1966 £	£	1966 £
Consolidated Trading Profit before taking into account items below	8,638,316			9,683,852		4,694,191
Add—						
Profit on sale of Investments	527,389			—		1,061,670
Dividends from Investments (gross)	46,445			49,385		5,755,861
		9,212,150		9,733,237		
Deduct—						
Debtors and Mortgage Interest	1,074,987			732,540		130,000
Unsecured Loan Stock Interest	332,878			303,311		130,000
Deposit and Loan Interest	42,083			40,309		123,760
Amortisation of Leaseholds	52,979			48,670		1,163,496
Depreciation	1,286,203			1,170,242		1,547,256
Increase in Provision for unearned profit on Hire	(180,359)			(2,059)		27,616
Purchase Debtors						1,479,640
Group Pension Fund and Life Insurance Scheme	330,953			289,879		1,519,640
less Transfer from Pension Fund Account (£48,092)		2,939,724		2,582,892		4,236,221
			6,272,426	7,150,345		
Consolidated Net Profit before Taxation						
Deduct—						
Taxation based on profits for the year						
Profits Tax	18,152			2,760		2,896,255
Income Tax	2,116,354			(378,591)		300,000
Corporation Tax at 40%				2,911,641		3,196,255
	2,134,506			2,535,610		
Less Provisions no longer required	345,887			585,301		
		1,788,619		1,950,509		
Consolidated Net Profit after Taxation						
		4,483,807		5,199,836		
Deduct—						
Proportion of the Net Profits of Subsidiaries	739			37,646		
Attributable to outside shareholders therein				5,162,190		
Deduct—						
Retained by Subsidiaries	4,483,068					
Written off Fixed Assets	48,248			119,383		
Added to Profit and Loss Balances	85,299			348,616		
		133,547		467,999		
Net Profit available for appropriation by Debenhams Limited		£4,349,521		£4,694,191		

See page [756] for Notes on Accounts.

BALANCE SHEET AT 31st JULY, 1967

	1966 £	1966 £	1966 £	1966 £	1966 £
Capital Issued (all fully paid)		24,554,516			
Reserves and Surplus Attributable to Debenhams Limited					
Capital Reserves (see Note 8)	10,140,421				
Share Premium Account	3,767,054				
General Reserve	2,189,405				
Reserve for Replacement of Fixed Assets		16,096,880			
Revenue Reserves					
General and Specific Reserves (see Note 9)	15,023,626				
Profit and Loss Account Balance—					
Parent Company	1,048,424				
Subsidiary Companies	1,879,720				
		17,951,770			
		58,603,166			
Minority Interests in Subsidiaries					
Par Value of Preference Shares held by Outside Shareholders	8,280				
Par Value of Ordinary Shares held by Outside Shareholders, after adjustment for proportion of Reserves, Profit and Loss Account Balances and Goodwill applicable to such holdings	14,524				
		22,804			
Debentures and Mortgages (less held by Subsidiary Companies)		19,275,601			
Unsecured Loan Stock		5,232,167			
Pension Fund Account		411,710			
Current Liabilities and Provisions					
Creditors	6,266,029				
Cash Creditors	1,292,740				
Taxation	4,337,671				
Bank Overdrafts	6,227,436				
Dividends (Gross) Debenhams Limited—					
Preference Dividends for half-year to 31st July, 1967 (since paid)	191,880				
Ordinary Dividend—Final for the year to 31st July, 1967 (proposed)	2,661,423				
		20,977,179			
		£103,522,627			
Fixed Assets					
Freehold Land and Buildings					
(i) As professionally valued in 1957 (less Sales)	26,173,688				
(ii) As professionally valued in 1958/62 (less Sales)	7,452,971				
(iii) At cost or at the net book value on 1st July, 1948 (less Sales)	19,309,997				
		52,936,656			
Less Amount written off Building Services		894,531			
		52,042,125			
Leasehold Land and Buildings, at cost or at the net book value on 1st July, 1948 (less Sales)					
Less Amortisation	8,450,184				
	814,069				
		7,636,115			
		59,678,240			
Furniture, Fixtures, Fittings, Machinery and Vehicles					
at cost, valuation or at the net book value on 1st July, 1948 (less Sales)	20,178,843				
Less Accumulated depreciation to date	11,114,334				
		9,064,509			
Goodwill at cost including the net excess of book values over par values of inter-company shareholdings					
Less Amounts written off	23,209,059				
	16,194,804				
		7,014,255			
		75,757,004			
Investments at cost (less amounts written off)					
Trade	26,571				
Quoted (Market Value £234,230; 1966 £900,516)	276,794				
Sinking Funds and Life Policies	160,456				
(Surrender value £215,316; 1966 £206,043)					
		463,821			
Current Assets					
Stocks (see Note 2)	15,193,551				
Trade Debtors and Debit Balances	7,330,081				
Stocks in hands of Hire Purchase Customers	1,188,115				
Current Account Suspense Account	2,740,776				
Cash Loans	90,038				
Balances at Bankers	497,244				
Cash in Hand	261,997				
		27,301,802			
		£103,522,627			
		£103,401,876			

See page [756] for Notes on Accounts.

DEBENHAMS LIMITED AND SUBSIDIARY COMPANIES

NOTES ON ACCOUNTS

1. SHARE CAPITAL

The Unclassified Shares of 10/- each are available for issue at the discretion of the Directors as Ordinary or Cumulative Third Preference Shares provided that the total amount paid up on all the Cumulative Third Preference Shares and on all other Preference Stock or Shares for the time being issued ranking for dividends or a return of capital in priority to the Cumulative Third Preference Shares shall not exceed the amount from time to time paid up on the Ordinary Shares in the Capital of the Company.

At 31st July, 1967, options to purchase an aggregate number of 95 Ordinary Shares at the price of 59/9d. per share were outstanding. Since that date, these options have been surrendered.

2. STOCKS

The amounts included for Stocks have been determined on bases and by methods of computation considered appropriate in the circumstances of the businesses of the Company and its subsidiaries and those bases and methods have been applied consistently.

3. CAPITAL COMMITMENTS

The estimated commitments for capital expenditure are—Group .. £1,133,000 (£2,508,900)
Parent Company .. £762,500 (£983,000)

4. AGGREGATE AMOUNT OF DIRECTORS' EMOLUMENTS

Fees £4,250 (£4,250)
Other Emoluments £187,619 (£175,614)
Pensions to former Directors £5,250 (£6,145)
Additionally the Trustees of the Group Pension Fund have applied a contribution of £9,493 (£Nil) out of the surplus monies in their hands from past contributions to correct anomalies in the Fund affecting seven Directors.

The reasons for the increase in other emoluments are that the figure for this year includes a full year's emoluments for two Directors appointed in the previous year and that the fixed salary for one other Director has been reallocated for pension reasons. There have been no other changes in Directors' salaries during the year.

5. GROUP PENSION FUND AND LIFE INSURANCE SCHEME

Contributions payable in respect of the past service of employees are being spread over 17 years, commencing on the 1st August, 1957. The approximate annual cost arising as the result of these arrangements is:

Group £75,553 per annum (less tax)
Parent Company £9,196 per annum (less tax)

6. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Current Assets in Dominion and Foreign Currencies have been converted into Sterling at the rates ruling on the Balance Sheet dates of the companies concerned. Fixed Assets in Dominion and Foreign Currencies have been converted into Sterling at the rates ruling at the date of acquisition.

7. DATES OF BALANCE SHEETS

The Accounts of the majority of the subsidiaries were made up to the 28th January, 1967. The Directors considered that if the financial years of all the companies in the Group had been made co-terminus, there would have been excessive delay in the presentation of the annual accounts.

The Directors are now of the opinion that this delay in presentation can be overcome and the next accounts of all companies will be made up to the 27th January, 1968; the next consolidated accounts to be presented will therefore include the results of the Parent Company and the minority of the subsidiaries for the short period from the 1st August, 1967, to the 27th January, 1968 and of the remaining subsidiaries for a full 52 weeks.

8. MOVEMENT OF CAPITAL RESERVES

Debenhams Limited and Subsidiary Companies

	Total	Share Premium Account	General Reserve	Reserve for Replacement of Fixed Assets
Balances, 31st July, 1966	16,972,357	10,140,421	4,531,483	2,300,453
Add Sundry Capital Profits, less Losses ..	39,307		33,443	5,864
Less Written off Fixed Assets ..	17,011,664	10,140,421	4,564,926	2,306,317
Adjustment on closure of business ..	639,392		522,480	116,912
Expenses on issue of 7½% Second Debenture Stock 1957/96 ..	54,379		54,379	
Expenses of Property Valuation ..	124,267		124,267	
Balances, 31st July, 1967	£16,096,880	£10,140,421	£3,767,054	£2,189,405

Debenhams Limited

	13,177,532	10,140,421	2,666,966	370,145
Balances, 31st July, 1966	19,472		19,472	
Add Sundry Capital Profits less Losses ..	13,197,004	10,140,421	2,686,438	370,145
Less Written off Fixed Assets ..	112,000			112,000
Expenses on issue of 7½% Second Debenture Stock 1957/96 ..	124,267		124,267	
Expenses of Property Valuation ..	96,746		96,746	
Balances, 31st July, 1967	£12,863,991	£10,140,421	£2,465,425	£258,145

9. MOVEMENT OF REVENUE RESERVES

Debenhams Limited and Subsidiary Companies

	Total	General	Store Maintenance and Contingencies	Profit and Loss Account (Subsidiary Cos.)
Balances, 31st July, 1966	14,892,455	13,108,080	1,784,375	1,782,037
Add Transfer from Provisions ..	11,500	11,500		54,379
Adjustment on closure of business ..	(7,470)		(7,470)	7,470
Reallocation of Reserves ..	200,000	200,000		85,299
Contributions from Revenue ..	15,096,485	13,319,580	1,776,905	1,929,185
Less Special Expenditure during the year ..	72,859		72,859	30,232
Adjustment on previous years' profit ..				19,233
Balances, 31st July, 1967	£15,023,626	£13,319,580	£1,704,046	£1,879,720

Debenhams Limited

	12,991,000	12,991,000
Balances, 31st July, 1966	200,000	200,000
Add Contribution from Revenue ..	£13,191,000	£13,191,000

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CITY NOTES

NERVOUSNESS on the expectation of higher taxation and fresh pressure on the economy, and about Government economic policy as a whole, have replaced blind faith in equities. The prospect now is for a shallow decline in equity prices now that investment tempers have cooled down. There may be a slight lift in the New Year as the usual 'Shares for the New Year' advice comes out, but Budget doubts will soon take the edge off any early enthusiasm.

For the time being the fixed interest end of the market may be the main point on which investment money will be focused. Bank rate cannot be allowed to remain at 8 per cent for long and although the fixed interest end of the market has not fallen to an 8 per cent Bank rate basis, the anticipation of some marginal reduction in the key interest rate is likely to keep the market steady to firm.

Export equities are generally acknowledged as being high enough, particularly since devaluation benefits have already been whittled away by higher taxation, the withdrawal of grants and rising raw material and wage costs. There will now be a period of waiting and seeing, and under such circumstances prices usually fade.

NEW Chancellors of the Exchequer are judged, in the City, by results. There is rarely any rush to prejudice. But Mr Roy Jenkins might well have put himself in danger of prejudgement by opening up a credibility gap of chasm proportions with his first House of Commons statement as Chancellor. To have politically maintained that there were no strings attached to the currency credits that went with devaluation, when it was abundantly clear that there were, was the kind of judgement error that the City has come to expect from the present Government's Cabinet Ministers

over the past three years. This is certainly no time for economic double talk. There has been far too much of that already. Chicken and egg points about which came first – the loan or the strings – are entirely out of place.

THE bursting of the Australian nickel share bubble has led to the inevitable reports of 'difficulties' on the Stock Exchange. Australian mining share prices have broken sharply and there are suggestions that one small and – generally acknowledged – speculative investment banking firm is suffering from severe burning of the fingers. Speculators are said to be finding large lines of Australian mining shares exceptionally difficult to get rid of and the need to finance carried-over positions may well entail heavy selling of shares elsewhere on the market.

ONCE again the question of advertising by stockbrokers is a matter for discussion. This time the London Stock Exchange Council has called for the views of member firms so that the Council can ascertain whether or not there is, in fact, a real call for considering the advertising question in official terms.

Opinion is inevitably divided on the question and the majority view would appear to be against the idea. Some of the bigger firms may support advertising 'institutionally' but even they are probably in the minority among their leading firm colleagues. Few of the smaller firms are particularly keen on seeing any kind of advertising free-for-all developing. It would not be at all surprising if the Stock Exchange Council finds, on test, that the advertising water temperature is decidedly cool.

RATES AND PRICES

Closing prices, Tuesday, December 5th, 1966

Tax Reserve Certificates (29/11/67): Companies 4½%; 3% surrendered for cash; Personal 4%

Bank Rate					
June 3, 1965 ..	..	6%	May 4, 1967 ..	..	5½%
July 14, 1966 ..	..	7%	Oct. 19, 1967 ..	..	6%
Jan. 26, 1967 ..	..	6½%	Nov. 9, 1967 ..	..	6½%
Mar. 16, 1967 ..	..	6%	Nov. 18, 1967 ..	..	8%

Treasury Bills					
Sept. 29 ..	£5	9s	5·98d%	Nov. 3 ..	£5 17s 1·93d%
Oct. 6 ..	£5	9s	6·65d%	Nov. 10 ..	£6 7s 3·10d%
Oct. 13 ..	£5	9s	6·39d%	Nov. 17 ..	£6 8s 3·10d%
Oct. 20 ..	£5	14s	6·92d%	Nov. 24 ..	£7 11s 0·82d%
Oct. 27 ..	£5	14s	6·36d%	Dec. 1 ..	£7 11s 0·31d%

Money Rates					
Day to day	..	6½-7½%	<i>Bank Bills</i>		
7 days	..	6½-7½%	2 months	..	7½-7½%
<i>Fine Trade Bills</i>			3 months	..	7½-7½%
3 months	..	9-9½%	4 months	..	7½-7½%
4 months	..	9-9½%	6 months	..	7½-7½%
6 months	..	9½-10%			

Foreign Exchanges			
New York ..	2·41 ¾	Frankfurt ..	9·60 ½
Montreal ..	2·60 ¾	Milan ..	1504 ½
Amsterdam ..	8·66 ¾	Oslo ..	17·22 ½
Brussels ..	119·72 ½	Paris ..	11·82 ½
Copenhagen ..	18·01 ½	Zürich ..	10·40 ½

Gilt-edged			
Consols 4% ..	56 ¾	Funding 6% 1993 ..	85 ½
Consols 2½% ..	34 ¾	Savings 3% 60-70 ..	88 ½
Conversion 3½% ..	49 ¾	Savings 3% 65-75 ..	74 ½
Conversion 5% 1971 ..	91 ½	Treasury 6½% 1976 ..	97 ½
Conversion 5½% 1974 ..	88 ½	Treasury 3½% 77-80 ..	73 ½
Conversion 6% 1972 ..	94 ¾	Treasury 3½% 79-81 ..	70 ½
Funding 3½% 99-04 ..	55 ¾	Treasury 5% 86-89 ..	76 ½
Funding 4% 60-90 ..	94 ¾	Treasury 5½% 08-12 ..	78 ½
Funding 5½% 78-80 ..	82 ¾	Treasury 2½% ..	34 ½
Funding 5½% 82-84 ..	85 ¾	Victory 4% ..	96
Funding 5½% 87-91 ..	83 ¾	War Loan 3½% ..	48 ½

Correspondence

Treatment of Losses

SIR, — Mr J. Ross (November 18th issue) does not now contend that the nationalized industries are losing hundreds of millions of £s every year, but suggests that I have agreed that 'there were substantial deficits on the nationalized industries'. In fact, I presented figures to show that the nationalized industries have been operating at a surplus, if transport is left out of account.

Of course, it does not follow that these industries have been managed efficiently; the coal industry has probably been very well run in recent years, but this could hardly be said of transport, another declining industry facing exceptional difficulties.

It would not be timely to discuss the pricing policies of the nationalized industries. But it is only fair to mention in defence of the gas industry, at least, that its charges have shown little change for some years, so that in real terms the price of gas has fallen. A time must come when increased costs, outside the control of an industry, must be passed on.

Yours faithfully,
F.C.A.

Industrial Reorganization Corporation

SIR, — I attended the London area conference of The Institute of Cost and Works Accountants on 'Mergers and management' which you reported in your issue of November 25th and heard the address of Mr C. R. E. Brooke of the I.R.C. As I remember, Mr Brooke confessed to his own experience being confined to that of a commercial attaché in the Foreign Service and gave a picture of the I.R.C. being administered by only a handful of executives who, like himself, were young enthusiasts. At any rate, the role of the I.R.C. is that of a 'post office' and Mr Brooke considers it would be another two or three years before the I.R.C. could prove its usefulness.

Responding to Mr Brooke's statement that the I.R.C. welcomes and, indeed urges businessmen to be in touch with it with regard to mergers and rationalization schemes for industry, I wrote to the I.R.C. as I have a client who is seeking expansion in a specialized field and has immediate cash to back up his requirements. It was extremely disappointing to me when, after a few days, an official of the I.R.C. telephoned me to say the Corporation could not help; apparently the I.R.C. is only interested in receiving suggestions which may be turned — like G.E.C./A.E.I. — into a rationalized undertaking.

I expressed my disquiet at the whole concept of the I.R.C. and observed that in the G.E.C./A.E.I. merger the Corporation had seemingly done no more than to have 'after dinner'

discussions, essentially with the chairman of G.E.C., and in recommending the merger it had done so without any apparent responsibility, financial or otherwise, for the implementation of its advice. Further, to the investing public, the backing of the I.R.C. (consisting of a handful of enthusiastic executives and part-time directors — whose reputations are, of course, beyond dispute) added millions of pounds to share prices.

I went on also to say that no word of what the policy of the I.R.C. is has been forthcoming either before or since its inception, and I expect, Sir, you will remember that in *The Accountant* on July 23rd, 1966, and January 7th, 1967, I protested about this extraordinary deficiency.

The I.R.C. is now almost one year old and it has to make, within a period of four months after the end of each accounting year, an annual report. In addition to what is required to be contained in the report, I would ask that it should contain such matters as:

- (i) number, qualifications and costs of executives;
- (ii) income, if any, from advising on G.E.C./A.E.I. merger in particular;
- (iii) budget for each of the three years ending December 31st, 1970.

I assume that full particulars of directors and their remuneration, a statement of policy and rate of growth (which surely is not to be confined to the small 'Post Office' organization hinted at by Mr Brooke), together with a precise explanation of the kinds of inquiry the I.R.C. wish to solicit, will be given in the report. Meanwhile, I am as much in despair with the piece of legislation which has produced the Industrial Reorganization Corporation as I was in the Bill stages.

Yours faithfully,
COLIN A. PERRY,
F.A.C.C.A., J.DIP.M.A., M.I.M.C.

London.

Unlimited Companies

SIR, — I refer to page 644 of your issue of November 18th. It is there stated 'if the company is to be re-registered as unlimited, the question naturally arises whether this involves any change in the tax position of the company since . . . considerable tax repercussions may result from the disincorporation of the company and a setting up of a partnership'.

Is it suggested, please, that an unlimited company is considered a partnership for taxation purposes, and so chargeable to income tax not corporation tax?

Yours faithfully,
J. ROSS.

Manchester.

[It is *not* suggested that an unlimited company is considered a partnership for taxation purposes. This is not the case, though some people appear to think it is.]

In the series of articles on 'Unlimited companies' in *The Accountant* it was pointed out that exempt private companies which will lose their status as such on January 27th, 1968, have three alternatives open to them: (i) do nothing and so be required to annex their accounts to the annual return to the Registrar of Companies; (ii) to disincorporate and become a partnership or trade as an individual; or (iii) become an unlimited company.

What the words quoted by our correspondent mean is this: It is known that considerable tax repercussions may result

from the disincorporation of a company and the setting up of a partnership, and the question also arises as to whether any adverse tax repercussions can result as a consequence of converting a limited company into an unlimited company. The article in the November 18th issue goes on to discuss this question.

The position on disincorporation was only very briefly referred to because this was outside the scope of a series on unlimited companies. The adverse consequences which can arise on disincorporation, however, include possible capital gains tax on the distribution of assets in specie to shareholders; possible capital gains tax on the sale of the shares; and the fact that, under paragraph 12 of Schedule 18 to the Finance Act 1965, the required standard of distribution for

the accounting period in which the company ceases to trade is 100 per cent rather than 60 per cent of the estate or trading income. — EDITOR.]

Wool Shop Stock/Turnover Ratio

SIR, — I would be very grateful to any reader who can tell me what is the usual ratio of stock to turnover for a wool shop selling all the usual knitting wools and ancillary items, buttons, patterns, needles, etc.

Yours faithfully,
T. STONE.

Goring-by-Sea
Sussex.

The Institute of Chartered Accountants of Scotland

Special General Meeting

A SPECIAL general meeting of members of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, Glasgow, on Tuesday of last week. Professor D. S. Anderson, M.A., C.A., President of the Institute, was in the chair.

Two hundred and forty-seven applicants were admitted to membership of the Institute and a large number attended the meeting to be welcomed and presented with their membership certificates by the President. A list of those admitted appears on page 761. The President also presented awards and prizes to successful candidates in examinations held during the year.

President's address

In the course of his address, the President said:

It is with deep regret that I have to report the death earlier this month of Mr W. L. Davidson for many years until recently the Glasgow Local Secretary and Secretary of the Scottish Chartered Accountants' Benevolent Association. In both these offices he had rendered loyal service to the Institute and his readiness at any time to advise and assist his colleagues, and his charming personality will leave a gap which will be hard to fill. To his widow and family I would offer on your behalf our deepest sympathy.

I would propose to give now the customary résumé of the principal activities of the Institute since the annual general meeting on March 31st last.

First we should offer our warmest congratulations to those of our members who have been honoured by Her Majesty The Queen. I would refer particularly to the life

peerage conferred upon Mr D. L. Urquhart, now Lord Tayside.

We should also offer our congratulations and good wishes to Professor J. R. Small on his appointment to the Chair of Accountancy at Heriot-Watt University and to Professor Edward Stamp, of Wellington University, New Zealand, on his appointment to the Chair of Accounting and Business Method at the University of Edinburgh.

Education and training

The new examination syllabus prepared by the Special Committee on Education and Training has now been drawn up, approved by the Examining Board and by Council and has been issued in the new and revised *Apprenticeship Guide*. This syllabus will come into force in 1969 and will, it is hoped, ensure that the Scottish chartered accountant of the future will be even better fitted to meet the exacting requirements of modern industry.

The new arrangements whereby Heriot-Watt University would take over part of the academic year courses in Edinburgh was introduced at the commencement of the current session without undue difficulty. By session 1968-69 it is anticipated that these courses in Edinburgh will be entirely conducted by Heriot-Watt University.

It may be of interest to members to learn that of the 247 young men and women who will come forward later in this meeting for admission to membership of the Institute, no fewer than thirty-nine (16 per cent) are University graduates.

Considerable progress has been made in the provision of post-qualifying education courses under the direction of the new Director of Post-qualifying Education, Mr J. G. G. Campbell, who took up his duties in August. A comprehensive programme both residential and non-residential has been drawn up for the current session. These courses, which will be held in a number of different centres, will cater for the man in public practice as well as for the man in industry. All told there will be 104 course days in 1968 compared with fifty-four in 1967. A number of these courses will be repeats of some which have already proved



popular whilst a number of entirely new topics have been introduced.

Research and publications

Research is always a slow business and while the output of the Research and Publications Committee has not been voluminous, a lot of hard work has been done. Papers emanating from this Committee have been published on 'Non-statutory reports on accounts', 'Sources of financial and other statistics' and 'Changing value of money and the capital gains tax', and more are approaching completion. A notable effort was the publication early in August of the booklet on company law. This booklet received a very warm welcome not only from our members, but also from other professional bodies, industry and the general public. The first printing of 5,000 copies was quickly sold and to date some eleven thousand copies have been sold. The successful reception ensures that this publication will produce a useful profit for the Institute.

Two international study groups have been set up in which we are playing an active part, one consisting of the Institutes in Great Britain and Ireland, the U.S.A. and Canada, the other consisting of the British and Dutch accountancy bodies. The results of their deliberations will be published as they become available.

Collaboration with other professional bodies

Our representatives in U.E.C. have continued to play an active part in the work of this European body which may have to play a significant role if and when Britain joins the European Economic Community. We are all delighted, I am sure, that Mr Alexander McKellar, a past President of this Institute, was elected President of U.E.C. at the beginning of this month. We wish him well in his important task. It is also pleasing to know that members of one of the committees of U.E.C. are meeting in this City today.

In conjunction with The Institute of Chartered Accountants in England and Wales, our Institute has participated in the submission in the appropriate quarters of papers on investment grants, decimal currency, the Finance Bill, uniform hotel accounts, the Monopolies Commission and other topics discussed by the Accountants' Joint Parliamentary Committee.

Local committee functions

The Selection Committee is presently engaged on a review of the area structure of the Institute and is contemplating replacing the existing local committees by district societies. The object is to give members outwith the main centres of population a better chance to participate in Institute affairs, to organize their own areas, to integrate the local members in the three streams of the profession and to obtain representation on committees and on Council by democratic means. More will be heard of this in the future.

Professional charges

No recommendation on professional charges has been issued by Council since May 1962. Consideration to making a recommendation was given early last year, but the setting up of the Prices and Incomes Board prevented any action

being taken. A questionnaire was issued to all practising firms in September of this year and the replies are now being studied. The impact of selective employments tax, higher National Insurance contributions, the substantially higher salaries which have to be offered to obtain staff and the sharp increase in local rates have all increased the costs of the practising accountant very considerably. The virtual freeze of charging rates which was imposed by the Government combined with the increased costs referred to make it a matter of urgency that a new recommendation on fees be issued as soon as possible. The 1962 recommendation is obviously hopelessly inadequate. The Council will be giving very urgent attention to this matter in the near future.

Integration of the profession

Discussions on this topic among the six accountancy bodies have now been going on for over two years. There are many complex problems to be solved and detailed plans to be considered. As was announced on October 18th, it is hoped to submit the schemes to the members of the six bodies next spring or summer and I would urge all members when they receive what will inevitably be a voluminous document, to study it with an open mind and with great care. Your representatives have given a vast amount of time and thought to these discussions which have often been far from simple and what will be issued will represent the views of these members and of Council of what will best serve the interests of our Institute.

Work of the Institute

In conclusion I would like to say a few words about the work load carried by the secretariat and the willing band of members who devote so much time to Council and Committee matters. Our profession is going through a period of evolution – perhaps even revolution – and the matters to which I have referred are only a sample of the tasks which have to be undertaken. The Scottish Institute has always been a leader in the profession in the world. If we are to retain our position of eminence and uphold the tradition of the 'C.A.' qualification, we must keep up to date in our education, training, development and thinking. No activity is embarked upon without very careful thought. These multifarious projects need manpower. Much of this is supplied gratuitously by a large band of willing helpers, but an active conscientious and hard-working secretariat is a vital necessity. This all costs money, as does the cost of travelling to meetings, and the necessary documentation for these meetings. The volume of work has increased in the past two years by probably one-third. The integration discussions alone have meant an almost complete reorganization of the Secretary's activities, with consequential repercussions through the whole organization. As I have said, the costs of running the Institute are rising continually and members will have to realize that they will have to face the inevitable consequences in due course.

I would like to pay a very sincere tribute to Mr McDougall for his complete devotion at considerable personal expense in terms of health to the interests of the members. The Assistant Secretaries and all other members of staff have supported him most loyally. For the assistance and consideration which they and the various Council and committee members have given me, I cannot sufficiently express my gratitude.

Admissions to Membership

The following is the list of newly-admitted members referred to at page 759. The names are followed in each case by the member's place of business.

Adair, James, Glasgow
Adam, Ian Clark, Rio de Janeiro, Brazil
Allan, Alexander McIntosh, Newcastle upon Tyne
Alvi, Bashir Ahmed, Glasgow
Anderson, Alexander George, Port of Spain, Trinidad
Anderson (or Dickson), Anne Wilson, Edinburgh
Anderson, Charles, Glasgow
Anderson, David Douglas, Edinburgh
Anderson, Donald Stanley, Glasgow
Anderson, James Douglas, Edinburgh
Anderson, James Scott, Edinburgh
Anderson, John Gordon, London
Anderson, Robin Alan Lucian, Edinburgh
Archibald, John Gordon, Glasgow
Armstrong, Ann Miller, Glasgow

Baillie, John, Glasgow
Baird, John Stewart, Dalmuir
Ballantyne, John Hedley, London
Ballantyne, Robin Hamish Douglas, Edinburgh
Barr, James, Portadown
Batty, David Stewart, Glasgow
Baxter, James Robin, Dundee
Beaton, Stewart Cameron, Quito, Ecuador
Beedie, Dugal Hepburn, London
Black, Donald Sinclair, Edinburgh
Black, Graham Drummond, Hong Kong
Black, John Stanley, Aberdeen
Bloomfield, Ronald Michael Bell, Billingham
Bogle, Robert Oswald, London
Brand, David Andrew, Glasgow
Brannen, Stuart, Glasgow
Briggs, David Muir, Paris, France
Broadley, John Cameron, Glasgow
Brodie, Ian Campbell, London
Brown, Alistair, Glasgow
Brown, Colin Murray, Glasgow
Brown, Ian Alexander, Glasgow
Brown, John McEwan Crerar, Glasgow
Brown, John Peter Robert, London
Brown, Roland Alan Christopher, London
Brush (or MacIver), Felicity Eileen Lang, Dundee
Bryson, Thomas Steele, Glasgow
Buck, Andrew Robin, London
Burnet, Alastair Lennie, Edinburgh
Burns, Andrew Neil, Cape Town, Republic of South Africa
Bussey, David Thomas, Bristol

Cadenhead, Kenneth Caldwell, Glasgow
Caird, Nigel Charles Spence, Glasgow
Calder, Alan Leslie, London
Caldwell, Ian, Glasgow
Cameron, Alan Thomas, Glasgow
Cameron, Charles David, Coatbridge
Cameron, James Ronald, Glasgow
Campbell, Alasdair Fraser, London
Campbell, Iain MacLeod, Harlow
Carey, David Stewart, Birmingham
Carmichael, John Allan, Aberdeen
Carr, Dennis John, Edinburgh
Clarke, James, Glasgow
Cleghorn, William Thomson Mercer, Thurso
Cockerham, William James, Edinburgh

Connell, Alastair Muir, Edinburgh
Coventry, James Leslie, Glasgow
Crawley, Leslie Edward, Glasgow
Cumming, Archibald Seymour, Glasgow
Cumming, Leslie Harry, Edinburgh

Dingwall, Robert Daniel, Aberdeen
Dodson, Gerald Henry, Edinburgh
Doughty, John Gordon, Brentwood
Duncan, James Scotland, Kirkcaldy
Duncan, Leslie James, Glasgow

Elliott, Margaret Ann, London
Erskine, Andrew Anderson Evans, Greenock
Etheridge, Peter George, London
Evans, John William David, London

Fairbairn, Geoffrey Gibbon, Paris, France
Fisher, Donald Adam, Glasgow
Flower, Michael Roy, London
Foot, James Frederic, Toronto, Canada
Forrest, Walter Ian Logan, Edinburgh
Fraser, Ian Dunbar, Montreal, Canada
Fyall, Alastair Moir, Glasgow

Gauld, Malcolm William Robertson, Glasgow
Geggan, John Bernard, Glasgow
Gerrard, Graham, Aberdeen
Gibson, Ellen Walker, Lanark
Gibson, William Retson, Glasgow
Gilbert, Michael John, Edinburgh
Gilchrist, Alexander John Greig, Edinburgh
Glen, Robert John Templeton, Glasgow
Good, John James Griffen, Glasgow
Gordon, Graham Gilbert Hamilton, London
Graham, James Sinclair Stevenson, Glasgow
Gray, Iain Stewart, Edinburgh
Greaves, Judith Ann, Dundee
Grier (or Gardiner), Frieda Elsie, Kilmarnock

Haldane, James Martin, London
Hamilton, William Francis Forbes, Inverness
Hanif, Mohammed, Lahore, Pakistan
Hardie, Hugh Etherton, Calgary, Canada
Harkness, William, Glasgow
Harper, Catherine Mary, Glasgow
Harris, Alexander Edward, Glasgow
Hasson, Charles Patrick, Glasgow
Henderson, William Shields, Glasgow
Herron, James Patrick Archer, Dundee
Hogg, Ian Alisdair Lawrence, Edinburgh
Honeyman, Stuart Walker, Edinburgh
Hopkins, Hugh Cuthbertson, London
Houston, Robert Francis, Port Glasgow
Hunter, John, Dundonald
Hutton, Brian William, Edinburgh

Ivory, Ian Eric, Glasgow

Jardine, David, Glasgow
Jones, David Stewart, Edinburgh

Kelly, John, Glasgow
Kennedy, Peter Norman Bingham, Ayr
Kerr, David Andrew, Nairn
Kerr, William Porteous McKenzie, Edinburgh
Kilgour, Hugh John, London
Kinley, John, Edinburgh
Kitson, John Ernest Hutcheson, Glasgow

Lessels, Diana, Edinburgh
Li, Chi Keung, Edinburgh
Linnell, Edwin Charles, Sunbury-on-Thames
Lorimer, Michael Hook, Glasgow
Lyell, Charles, London
Lyle, Alastair Robert, Dundee
Lythgo, Michael James, Glasgow

MacCalman, Alexander Hugh, Calgary, Canada
MacDonald, Angus Donald MacKintosh, Edinburgh
Macdonald, Donald Alexander, Glasgow
MacDonald, Gerard Majella, Glasgow
McGhie, Duncan Clark, Glasgow
MacGregor, Alpin Findanus, London
Macgregor, Edmund Fraser, Glasgow
McGrory, John, Adelaide, Australia
McInnes, James Watson, Glasgow
McKail, John Masterman Forbes, Birmingham
Mackay, Ian David, Bearsden
McKenzie, Gordon White, Edinburgh
MacKenzie, Robert Low, Dundee
McKenzie, Ronald, Glasgow
Mackie, Hugh Muir, Glasgow
Mackie, Lindsay Lawson, Dundee
McLeish, Ian Clelland, Edinburgh
McMahon, Peter, Glasgow
McMillan, Kenneth Hutchison, Glasgow
MacNeill, Stuart Duncan, Glasgow
McNicol, Alexander Gardner, Glasgow
Main, William Hill, Glasgow
Martin, George Tincie Victor, Glasgow
Matheson, Stephen Alexander, Glasgow
Mathie, James Wright, Glasgow
Mathieson, Roy Stewart, Alloa
Maxwell, John Hunter, Uxbridge
Melville, Andrew William, Glasgow
Mendis, Appuwahandi Chandanasiri Hemapala, London
Miller, Ian Gibson Ashbridge, Johannesburg, Republic of South Africa
Milne, John, Glasgow
Mirkin, Heyman Wilfred, Port Elizabeth, Republic of South Africa
Mitchell, David William Gillespie, Glasgow
Mitchell, James, Port Glasgow
Mitchell, John, Glasgow
Mitchell, Robert Houston, Motherwell
Molloy, Alan, Peterlee
Moore, Robert Clarke, Edinburgh
Moroney, Diarmuid Sean, London
Murphy, Joseph Fox, Glasgow
Mutch, Ronald Crawford, Glasgow

Nairn, Andrew, London
Nanda, Ranbir, London
Neill, Thomas Gardner, Paisley
Nicol, Colin William, London
Nicol, Peter William, Glasgow

O'Connell, Thomas Francis, Glasgow
Ogilvie, Brenda Kennedy, Glasgow
O'Hara, Alexander Halliday, Glasgow
Ormerod, Christopher John, Airdrie

Pate, Alistair Meikle, Kirriemuir
Paterson, Michael John, Glasgow
Paton, Hamish Kinloch, Glasgow
Pattullo, Robert Michael, Edinburgh
Pauling, John, Glasgow
Pettie, Jasper William, Toronto, Canada
Phillips, Kenneth William Linton, Glasgow
Phillips, William Charles Henry, St Helens
Pool, Michael Lewis, Stafford
Pringle, Alexander Balfour, Perth

Quayle, David John, Glasgow

Radziwonik, William Cunningham, Glasgow

Ramsay, James Trainer Letham, Glasgow

Rankin, Thomas Boyd, Glasgow

Reid, Douglas, Glasgow

Reid, George Malcolm, London

Riddell-Carre, Walter Gervase, Edinburgh

Roberts, David Ross, Dundee

Rocks, Joseph, East Kilbride

Rodger, Alan Hunter, London

Rolls, Donald, Welwyn Garden City

Rose, Charles, Glasgow

Ross, Donald Forrester, Aberdeen

Ross, Douglas, Brentford

Roy, William Gordon Begg, Glasgow

Russell, James Dunn, Newcastle upon Tyne

Scott, Alexander Michael Andrews, Selkirk
Scott, Charles Marquis, Glasgow

Seaton, John Cameron, Dundee
Semple, Mitchell Scott, Glasgow
Shamash, Donald Grahame, Johannesburg,
Republic of South Africa

Sharp, John David, Glasgow

Sinclair, Jack Stuart, York

Slowman, Douglas Ernest, Brentford

Smith, James Inglis, Port Glasgow

Smith, John Cameron, Dunoon

Somerville, Michael Charles Urquhart,
Edinburgh

Souter, Ian Patrick, London

Spence, David Lane, London

Spence, Peter James, Glasgow

Stedall, Robert Henry, London

Steel, Thomas, Glasgow

Stewart, Brian John, Perth

Stewart, John, Glasgow

Stirling, Derek Ferguson, Greenock

Swanney, William David Reid, London

Tait, James Kenneth, Edinburgh

Tait, John McGillivray, Glasgow

Thom, Allan Gilmour, Glasgow

Thompson, Duncan Colquhoun, Currie

Tolland, Lindsay Cameron, Glasgow

Toner, Gerard, London

Trotter, Robert, Edinburgh

Tulloch, Iain William Patrick, Glasgow

Tulloch, Keith Farquhar, London

Turnbull, Nigel James Cavers, Edinburgh

Turner, Donald Ian, Paris, France

Urquhart, James Arthur, Glasgow

Wall, Arthur David, London

Walsh, James William, Glasgow

Watson, Brian William, London

Williams, Graham John, London

Williamson, Angus Noble, Edinburgh

Wilson, Thomas Whyte, Lochgelly

Wink, Gordon Stanley, Glasgow

Wober, Nicholas, Glasgow

Wright, Gordon Sturgess, Manchester

Youngson, George, Glasgow

Call for More Accountants in Government Services

Scottish Chartered Accountants' Dinner in Glasgow

A PLEA for the recruitment of more accountants into Government and local government services was made by Professor John M. Halliday, M.A., LL.B., Professor of Conveyancing at the University of Glasgow, speaking at a dinner of The Institute of Chartered Accountants of Scotland held at the Central Hotel, Glasgow, on Monday of last week.

Professor Halliday, who was proposing the toast of the Institute said they were meeting at a time of some anxiety for them all. It had been said that every difficulty was an opportunity. 'If that be true, there can be few administrations in our history which have shown a more fertile genius for the creation of opportunities', he added, amid laughter.

Economic indicators

Professor Halliday said he thought it would be fair to say that, since the war, Scotland had fared less well than England. All the standard indicators of economic inferiority had been there to see – greater unemployment, lower

average income, fewer trained personnel, and more emigration.

It was really not surprising that the indicators had been showing unfavourably in respect of Scotland. When one considered the drastic rundown in many of the traditional industries – coal, iron and shipbuilding – it was surprising that Scotland had held up so well.

New industries

The reason was plain – the influx of new industries. Firstly, there were those which made products of high quality and which were technically sophisticated and very often foreign-based. Secondly, there were those which were really branch factories from England, to a large extent making consumer goods and attracted to Scotland by the regional employment benefits.

Professor Halliday said the Scots were very glad to have this latter group, but they should face the fact that their scope was limited because the existence of an area with a major consumer population would always

determine the location and scale of the manufacturing industries which immediately served it.

The real hope for Scotland was in extension of industries in the former group. Many of these had come in, but there were many indigenous ones which were flourishing, and there was scope for expansion here.

Industry of this kind needed the special professional services of the accountant. Because the management must be high grade, it would need more and more accountants qualified in managerial accounting techniques, and it would need to be serviced by a profession which was really expert in the things which really mattered to it, notably in taxation and (where industry was coming from abroad) company work and techniques. The Scottish accountancy profession could provide the right calibre of people.

Public sector

Professor Halliday said he thought they should also turn an eye to the public sector, because obviously something must be done there. Everybody

now acknowledged that public expenditure must be curtailed, but the question was – how? Politically, it was hideously difficult.

Value for money

There was one thing which could be done, however, and that was to see that there was value for money and that waste, as far as possible, was cut out.

'We all know the method of recruitment to the higher echelons of the Civil Service, which really control policy', continued Professor Halliday.

'They have first-class graduates – brilliant men, often dedicated, but without any professional training in assessing value for money and without any business knowledge of the ways and wiles of contractors.'

He added: 'There are, in the non-industrial part of the Civil Service some 800,000 people. I was astonished to see recently that, of that number, less than 400 are qualified accountants.'

'Clearly there is a gap here, because it is rather an extraordinary thing that the sort of service in managerial accounting techniques, in cost-benefit analysis, which has been for years regarded by major units of private industry as essential, is not apparently regarded as necessary at all in the Government set-up which puts out thousands of millions in contracts every year.'

The pattern of local government was different, but the result was the same. Accountants entered the local authority picture either as burgh chamberlain, whose function was mainly stewardship over the authority's finances, or as auditor, checking for irregularity.

In between, where decisions were taken, there was no function for any trained accounting expert in cost analysis. This was clearly a vast gap.

Largest spender

Professor D. S. Anderson, M.A., C.A., President of the Institute, replying to the toast, said he wondered if, possibly, chartered accountants were too shy as a profession to let it be known how they could assist in the public service.

'The public service is probably the largest spender in Scotland, and I am quite certain nobody would disagree with the suggestion that control of this vast flow of expenditure should be the subject of the closest scrutiny by people equipped to bring intelligent

consideration into play in the interests of the community as a whole', he said.

Quite often, financial policy in the vast hospital service was, to some extent, entrusted to the accountant as an unpaid, lay administrator who was required in his spare time and out of the goodness of his heart to do his best to see that millions, and perhaps hundreds of millions, of pounds were spent to the best advantage.

Separatist movement

Professor Anderson went on to say that in London recently he had been asked by a number of people what was the significance of the result of the Hamilton by-election. Did it represent a narrow, nationalist feeling, with a genuine separatist background, or was there something deeper?

'My view, for what it is worth, is that this is the first evidence of a revolt by the Scottish voter against the domination of our economy by the tycoons of Threadneedle Street', he said.

'I have it on good authority that, of the firms in Scotland which employ more than two hundred people, there are only six which are controlled from Scotland.'

'If this is true, what are we Scots thinking about? Through the ages we have shown that the Scot has the brains and the skill necessary to found and carry on successfully vast industrial enterprises. But we seem now to be ready to abdicate from the responsibility of controlling these same concerns.'

'Have we lost confidence in ourselves? Are we more concerned with a quick profit and the avoidance of responsibility?

'At the end of the thirteenth century the Scots, under Wallace and Bruce, successfully fought for Scotland's independence. Today we seem to be prepared to forfeit it, at least in the commercial sense. Can we not revive this independent spirit?

'Let us, by all means, work in partnership with the financial wizards of the south, but let us assert our right to pursue our destiny as their equals, not as their junior partners.'

Crushing burden

Professor Anderson said the country and the profession were weighed down by the crushing burden laid upon them by the complexities of fiscal legislation – a jungle of fiscal legislation.

The practising accountant was becoming bogged down in the steamy

swamps of this jungle and was finding it increasingly difficult to extricate himself so as to be able to perform his proper role of helping industry to become more efficient.

The penal rates of income tax, surtax and estate duty created an ever-growing demand for expert professional advice to enable the taxpayer to retain for his own enjoyment, and for the development of his business, a reasonable share of his earnings.

The disincentives to hard work were ever present and the effects – the brain drain, absenteeism, and stagnation of industry – were crippling our economy.

Tax simplification

It was encouraging that, in certain quarters, there were references to the need for simplification of the tax system and a drastic reduction of direct taxation. A compensating increase in indirect taxation would be inevitable but this, he thought, would be accepted by the public if they could be released from the irritation of sharing the rewards of their efforts with 'big brother'.

The toast of 'Our Guests' was proposed by Mr John A. Stewart, C.A., Vice-President of the Institute.

Replying, Sir Robert Maclean, Vice-Chairman of the Scottish Council (Development and Industry), said that in almost every country he had visited, either as leader or as a member of trade missions, he had found Scottish chartered accountants at the top of the industrial and professional ladder.

Quality of education

'Both by nature and by training the Scot takes to accountancy in its widest sense and I hope that the 'winds of change', to adopt the popular euphemism, which are blowing through the fields of education will not take away from Scotland a form and quality of education which so admirably suits her people and her social structure', said Sir Robert.

For generation after generation, the output of university graduates per thousand of the Scottish population had been five or six times as great as that of the United Kingdom as a whole.

When he heard that the future of Scotland's great day schools might be challenged because of emotions which characterized the southern part of Britain, he could only deplore the threat to what might possibly still be the finest education system in the world.

Policy for Recruitment

Emphasis on a varied and worth-while career

It is essential that we should present to prospective entrants to the profession an image of a job which is worth while', stated Mr J. A. Allen, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, at the annual dinner of The Exeter and District Society of Chartered Accountants held on Friday of last week. He added: 'We should emphasize the prospects open to a qualified chartered accountant and we should lay stress on the fact that our work, so far from being dull and monotonous, covers a wide and varied range and involves us continually with people rather than things.'

Although some two thousand new members qualified each year, this 5 per cent annual increase in membership was insufficient to keep pace with the growing demands in practice, in industry and in the public service, said Mr Allen. A Recruitment Committee of the Council was at present working on the assessment of the probable future demand for the services of members and the recruitment policies needed to meet those demands both in practice and in industry and commerce.

The survey was concerned with an examination of the extent of the present shortage of articulated clerks and an analysis of the reasons for the shortage and its distribution throughout the country.

'The question of remuneration paid in relation to alternative occupations is one of the principal matters for concern', he said, 'and you will probably agree with my own view, that the present shortage may be traced principally to this cause'.

District societies' role

A great deal of work was being done, and still more could be done, by district societies in furthering recruitment. Close contacts with neighbouring schools should be established and endeavours should be made to obtain the co-operation of local youth employment officers. Other methods of furthering recruitment were local advertising, careers conventions and the use of exhibition stands at careers conventions.

Mr Allen went on to say that the Birmingham and District Society re-

cently ran a pilot recruitment campaign. Among the conclusions reached were the findings that personal liaison between members of the District Society and local schools were vital.

More graduates

Finally, said Mr Allen, the increasing complexities of the technical knowledge required by chartered accountants would involve the need to attract more graduates to the profession. 'You may be sure that it is the aim of our Council to increase rather than diminish the educational standard of future entrants', he declared.

Mr Francis Johns, President of the Exeter and District Centre, Institute of Bankers, proposing the toast of the Institute, to which Mr Allen replied, said that accountants were universally respected. This respect had taken them to the top in industry, commerce and the public service.

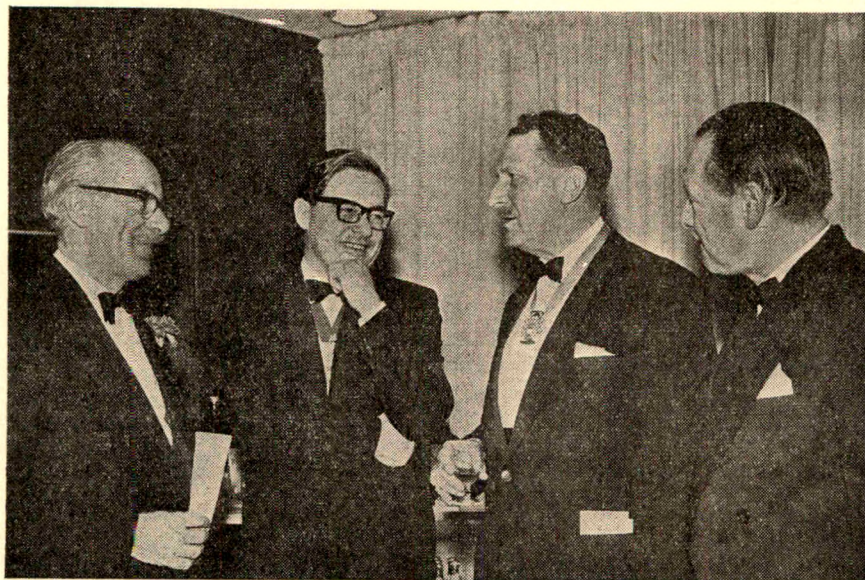
Mr Phipps Turnbull, Devon County Planning Officer, proposing the toast of 'The City and County of the City of Exeter', forecast that by the turn of the century there would be 5 million people living in the South-west, compared with 3½ million at the present time.

There was an attitude of co-operation within the city, and between Devon County Council and Exeter City Council. This included the joint effort undertaken to develop an industrial estate at Sowton, near the city. 'I have great confidence in the future of Exeter', said Mr Turnbull.

The Mayor of Exeter, Alderman R. E. C. Board, congratulated the planners 'for not producing in Exeter what was seen all too often in some of our cities - row after row after row of the same type of buildings'.

He said it was fair comment that one could walk down the streets of the capital of Devon and see a mixture of architecture, including red brick, which was not overbearing.

Mr D. F. Green, F.C.A., Chairman of the Society, who presided over the dinner, and Mr S. Edgcumbe, J.P., F.C.A., a member of the Council of the Institute, also spoke.



Some personalities at the dinner. Left to right: Mr S. Edgcumbe, J.P., F.C.A., a member of the Council of the Institute; Mr D. F. Green, F.C.A., Chairman of the Exeter Society; Mr J. A. Allen, F.C.A., a member of the Council of the Institute, and Mr S. V. P. Cornwell, M.C., M.A., F.C.A., President of The West of England Society of Chartered Accountants.

A Prime Aim of the Institute

to give the best and widest possible range of service

SPEAKING at the annual banquet of the Warwickshire Society of Chartered Accountants held in Coventry on Friday of last week, Sir Thomas Robson, M.B.E., M.A., F.C.A., a Past-President of The Institute of Chartered Accountants in England and Wales, said that it was good to know that the Institute stood high in public esteem 'for one of our prime aims throughout our history has been to give to the community the best and widest possible range of service - and that aim continues today'.

Sir Thomas, who was responding to the toast of the Institute, reminded members that the centenary of accountancy as an organized profession in England and Wales was approaching. The first societies were formed in 1870 when everyone thought of the £ as a golden sovereign and any mention of its devaluation would have been considered an impossible nightmare.

For many years, he said, the profession was regarded as consisting exclusively of accountants in public practice. That concept had changed and more and more the practising accountant's office had become a training ground for men who, after qualifying, found their way into industry. Today rather more than one-third of the Institute's 42,000 membership was engaged in this way.

Training choice

Sir Thomas said he was interested to see that the Council hoped to introduce a scheme which would allow future students to choose whether they would be trained in industry or the public service as an alternative to training in a practising office. 'This is an idea which would have been unthinkable only a few years ago', he added.

He went on to say that even if some chartered accountants did not agree with decisions of the Council, they could not justifiably say that it allowed the Institute to stand still. He could only hope the Council would continue to be dynamic and to stimulate and help members in every possible way.

In the last analysis, however, it was not the activities of the Council so much as the standards of each member of the Institute which would determine the future place of the profession in public affairs. This place would become increasingly important as time went on if, but only if, they all played their parts in bringing the whole community to regard the title 'Chartered Accountant' as synonymous with wide-ranging competence and absolute, unswerving integrity.

Strict rules

The rules of conduct were strict and were strictly enforced. The problems which arose in their application hit them all from time to time, though it was the border line problem which gave the difficulty.

The responsibility for deciding which course to follow rested on the member himself, but he could always seek advice before he acted.

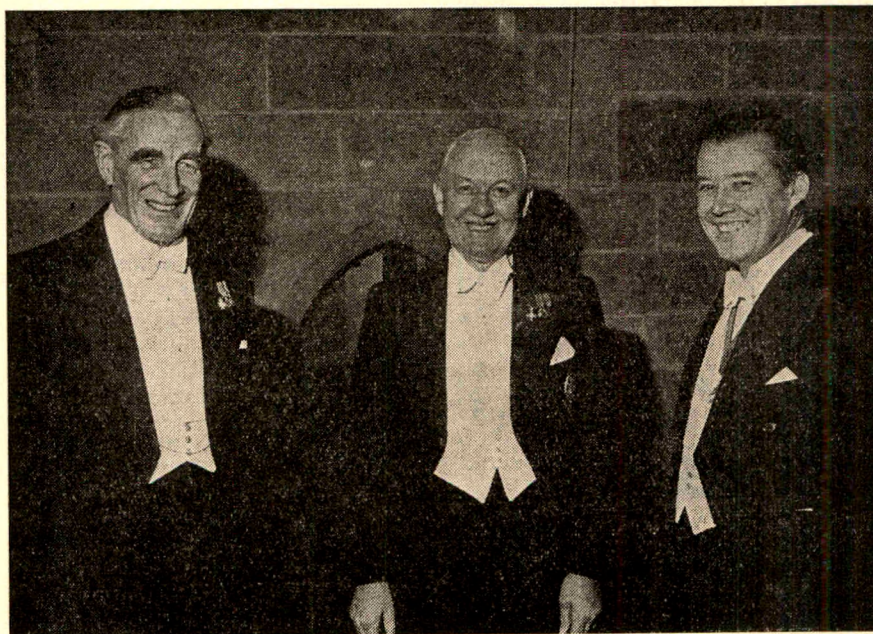
Mr J. J. Parkes, C.Eng., F.R.A.E.S., O.St.J., chairman of Alvis Ltd, who

proposed the toast, caused laughter when he said that never had he been in the company of so many accountants, not even in three company mergers in two and a half years. His company first merged with the Rover company who, in turn, merged with the Leyland Group.

Proposing the toast of 'The Guests', Mr J. L. M. Graham, F.C.A., President of the Warwickshire Society, commented that business problems which needed a speedy answer were suffering because of recent legislation.

He said: 'These days I find I cannot get the help I used to get from my company's advisers. They are having to spend far too much time trying to unravel the mysteries of recent legislation.'

The Deputy Mayor of Coventry, Alderman L. Lamb, responded briefly to the toast of the City proposed by Mr Graham, and Professor B. T. Houlden, B.Sc., Ph.D., Professor of Business Studies at the University of Warwick, responded to Mr Graham's welcome to the guests.



Pictured at the dinner, which was held in Coventry's medieval hall of St Mary, are, left to right: Mr J. J. Parkes, C.Eng., F.R.Ae.S., O.St.J., Chairman of Alvis Ltd; Sir Thomas Robson, M.B.E., M.A., F.C.A., a Past President of the Institute, and Mr J. L. M. Graham, F.C.A., President of the Warwickshire Society.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS FISHER & CO, Chartered Accountants, of 155-157 Great Portland Street, London W1, announce that Mr ARNOLD J. DONN, F.C.A., was admitted into partnership on November 20th, 1967.

MESSRS EDWARD MOORE & SONS, Chartered Accountants, announce the retirement on December 7th, 1967, of Mr MICHAEL MOORE, F.C.A., and Mr E. ALAN MORTLEMAN, M.C., F.C.A. Both will be available as consultants after their retirement. They also announce that on the same date, Mr P. W. FOSS, F.C.A., Mr A. C. WRIGHT, F.C.A., Mr G. W. EDMUNDS, A.C.A., and Mr M. V. BROOKE-WEBB, A.C.A., all of whom have been members of the staff for some years, were admitted as partners.

MESSRS NAIRNE, SON & GREEN, Chartered Accountants, of Manchester, announce that Mr JOHN MALCOLM EDGE, A.C.A., has been admitted into partnership with effect from December 1st, 1967.

MESSRS REYNOLDS, McCARRON & Co, Chartered Accountants, of 57 Upper O'Connell Street, Dublin 1, announce that Mr DAVID I. MURPHY, A.C.A., and Mr JOHN F. HOGAN, A.C.A., have been admitted to partnership in the firm.

MESSRS WILKINSON & MELLOR, Chartered Accountants, of 1 Leadenhall Street, London EC3, deeply regret to announce the sudden death of Mr WALTER ARTHUR FITCH, F.C.A., on November 30th, 1967. The practice will be continued by the remaining partners.

Appointments

Mr R. C. Bedford, F.C.A., assistant secretary of The National Cash Register Co Ltd, has been appointed to the board of the company.

Mr F. K. McMorran, A.C.A., has been appointed secretary of Road Rollers Ltd.

Mr E. Wilks, A.A.C.C.A., has been appointed to the board of Blount & Co Ltd; he will continue as secretary of the company.

Mr F. S. Woodward, C.A., has been appointed chief accountant of Dorman Long (Steel) Ltd, and has relinquished his appointments with Consett Iron Co Ltd.

Mr A. P. Rivers, F.C.A., F.C.I.S., chairman of Hovis-McDougall Ltd, has been elected a Vice-President of the Chartered Institute of Secretaries for 1968.

DOUBLE TAXATION: NETHERLANDS

The Double Taxation Convention with the Netherlands, which was signed on October 31st, 1967, was published on November 27th as a Schedule to a draft Order in Council.

TAX RESERVE CERTIFICATES

The Treasury announced on November 28th (as noted under 'Rates and Prices' in last week's issue) that the rates of interest on company Tax Reserve Certificates subscribed on or after November 29th, 1967, will be $4\frac{3}{8}$ per cent per annum (previously $3\frac{3}{4}$ per cent) on certificates tendered in payment of tax and 3 per cent per annum ($2\frac{1}{2}$ per cent) on certificates surrendered for repayment in cash.

The certificates are, of course, tax free.

The rate of interest on personal Tax Reserve Certificates subscribed on or after November 29th will be 4 per cent (previously $3\frac{1}{2}$ per cent). These certificates are also tax-free.

The rates of interest on all company and personal Tax Reserve Certificates subscribed on or before November 28th, will remain unchanged.

IN PARLIAMENT

Investment Grants Offices: Accountants

MR COSTAIN asked the President of the Board of Trade how many qualified accountants are employed at the investment grants offices; and whether he will provide adequate accounting and taxation training for all staff employed at grant offices, so that only relevant questions on these matters are asked.

MR DARLING: The staff of the investment grants offices have received instruction in the accountancy and taxation aspects of their work; and the services of the Accountants Division of the Board of Trade are available to them as required.

Hansard, November 22nd, 1967. Written answers, col. 341.

Budget Proposals

DR DAVID KERR asked the Chancellor of the Exchequer whether he will in future indicate to the House the broad principles on which he proposes to frame his Budget proposals for the ensuing year, in order to allow more constructive discussion of their effects to be conducted.

Mr CALLAGHAN: The broad objectives to which the next Budget will be directed can be inferred from the statement I gave the House yesterday. On particular proposals, confidentiality is important, and that is a limiting factor in the area of discussion.

Dr KERR: I foresaw that rather platitudinous answer. Will my right hon. friend have another think about the usefulness of pre-legislation discussions by back benchers, particularly

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on the broad matters which he acknowledges are not subject to confidentiality?

Mr CALLAGHAN: I regret the platitudes, though, on the whole, I am rather glad to get back to a few bromides. I am aware that there is a great deal of discussion about budgetary principles and proposals. From this season onwards, the Chancellor is always subjected to a great many representations and a good deal of advice, most of which he does not take. Perhaps that is wrong, but he does not. If there is any particular matter on which my hon. friend would like a discussion, it can, no doubt, be arranged.

Hansard, November 21st, 1967. Oral answers, col. 1123.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Management Committee with Sir William Carrington, F.C.A., President of the Association, in the chair and eleven members present, thirteen new applications for assistance were considered. In ten cases grants were given; in two cases donations were made and one case was deferred. One application was from a young married member, with a child at school, who is no longer able to work owing to an incurable illness; with the administrative assistance of the local district society his outstanding liabilities are being settled by loans within the amount of his life assurance and a grant is to be made to cover reasonable future expenditure less State insurance benefits.

Eighteen applications for the renewal of grants were considered. Further grants were made in seventeen cases; the other applicant was in hospital and a donation was given.

Changes in circumstances

Twelve cases were reported in which circumstances had changed during the last three months. Adjustments in grants were made where appropriate and donations were approved in several instances.

Hanover Housing Association

The Secretary reported that the Hanover Housing Association had now completed ten housing schemes, comprising bungalows or flats with a single or double bedroom; it was expected that four more would be completed by December; a further sixteen should be completed in 1968. One beneficiary had been placed in a bungalow in Sussex and had expressed her gratitude for the excellent accommodation provided.

The Secretary was instructed to publish a list of the places in which flats or bungalows were, or would become, available so that the work of the Hanover Housing Association in providing accommodation for elderly people of limited means might become better known.

The Hanover Housing Association was established under the auspices of the National Corporation for the Care of Old People and housing schemes have already been completed at Lowestoft (bungalows); Frinton-on-Sea (bungalows); Manchester (a) (flats); Selsey (bungalows and flats); Winchester (bungalows); Plymouth (flats); Ipswich (flats); Worthing (flats); Stevenage (flats); Drymen (bungalows).

Schemes at Andover (b) (flats); Newburn (Newcastle) (flats); Yately (a) (bungalows); and Eastbourne (flats), are due to be completed by the end of 1967 and further schemes are expected to be completed in 1968 at Maidstone (a), Chatham, Gillingham, Sturminster Newton (a), Crawley (b), Scarborough (a), Worsley, Deal, Lee-on-Solent, Christchurch, Basingstoke (b), Teddington (b), Cheltenham, Margate (a), Durham (a), Surbiton.

Members of The Institute of Chartered Accountants in England and Wales or their widows are eligible to apply for a nomination to a housing unit if their means are limited and they are unable to obtain the accommodation they require at normal commercial rates. Application should be by letter to the Secretary of The Chartered Accountants' Benevolent Association.

[(a) denotes occupation restricted to those already resident in the locality.
(b) denotes occupation restricted to those already resident in the locality or in London.]

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Conference in Dublin

A one-day conference on 'The measurement of productivity and the economics of exporting' was held at Jury's Hotel, Dublin, last month, by The Institute of Cost and Works Accountants.

The conference was opened by Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., President of the Institute, and the morning session was addressed by Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., J.DIP.M.A., F.C.I.S., F.I.B.A., M.I.M.C., a member of the Council of the Institute. Dr Risk's paper was followed by a discussion led by Mr A. A. Pakenham-Walsh, M.A., F.A.C.C.A., F.C.W.A., J.DIP.M.A.

In the afternoon, Mr A. G. Chappell, M.A., spoke on 'The economics of exporting', and Mr A. Mallinson, F.C.W.A., opened the subsequent discussion.

DUMFRIES AND GALLOWAY ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS

Annual Dinner

The eighth annual dinner of the Dumfries and Galloway Association of Scottish Chartered Accountants was held last month at the Station Hotel, Dumfries, with Mr J. H. Thornley, C.A., Chairman of the Association, in the chair.

Mr H. George McKerrow, J.P., in proposing the toast of 'The Institute of Chartered Accountants of Scotland', declared that the present confiscatory rates of taxation were not a policy, but crazy acts of absurdity which had resulted in a state of euphoria, senseless strikes, the brain drain and a continual state of frustration in this country. 'The presence of the Inland Revenue', he said, 'ensures that we shall always need accountants, but there is another more positive side to your work - that of providing the essential facts and figures that can lead to more efficient management of companies, both private and public'. This important aspect of the accountant's work was one which

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he feared was all too easily overlooked, but never was it more important than now to show that private enterprise was capably and efficiently managed.

Responding, Professor D. S. Anderson, M.A., C.A., President of the Institute, revealed some of the items which had been appearing on the agendas of the Council and its various subcommittees and indicated the underlying reasons for the conclusions that had been reached and action taken in the past year. Taking up the question of tax incentive referred to by Mr McKerrow, he felt that one result, if we joined the Common Market would be that we would have to harmonize our tax system with that of Europe and that he looked forward to the day when the standard rate of income tax, or its equivalent, would be 3s 6d in the £, the balance of the Government's revenue requirements being met by direct taxation.

The toast of 'The Guests', was proposed by Mr D. S. Crosbie, B.COM., C.A., and Mr H. D. L. Simpson, Dean of the Faculty of Procurators for Dumfries and Gallo-way replied in humorous vein.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Owing to the overwhelming demand for the London and District Society of Chartered Accountants' evening meeting held on December 7th on the 1967 Companies Act, a further meeting is to be held on Wednesday next, December 13th, at 5.45 p.m., at the Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4, when Mr G. J. Howe, F.C.A., has consented to repeat his talk.

SOUTHERN SOCIETY OF CHARTERED ACCOUNTANTS

The final meetings in 1967 of the Southern Society of Chartered Accountants will be held at Bournemouth and Salisbury next week. On December 12th, members will meet at the South Western Hotel, Bournemouth,

at 6.45 p.m., for a discussion session on members' problems. On the following evening there will be a meeting of Salisbury members at the Red Lion Hotel when the subject will be 'New approach to auditing'.

The Society's opening meetings in the New Year will be as follows:

January 9th, at Bournemouth. Members will meet at the South Western Hotel at 6.45 p.m. when the subject will be 'Development levy and capital gains tax'.

January 10th, at Salisbury. 'A short history of the General Commissioners'. Meeting at the Red Lion Hotel, preceded by tea at 5.30 p.m.

January 10th (or 17th) at Southampton. 'The Companies Act 1967', at 6 p.m.

The Society's annual dinner will be held on January 26th, at the Guildhall, Portsmouth.

REFRESHER COURSE FOR TEACHERS IN ACCOUNTANCY

As noted in *The Accountant* of November 25th, The Institute of Chartered Accountants in England and Wales is holding a refresher course for teachers in accountancy at the City University, London EC1, from January 2nd - 5th, 1968.

In addition to the main detail of the programme already published, it is now announced that Mr C. H. Watson, F.A.C.C.A., F.C.C.S., A.M.B.I.M., of the City of Westminster College, will act as Course Director and will talk on 'Accounting in business studies courses' and 'Management information'.

The closing date for applications to attend has been extended to December 18th, and forms are available from the Secretary, The Institute of Chartered Accountants in England and Wales, 56/66 Goswell Road, London EC1.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

Prior to his attendance at the Manchester Society of Chartered Accountants' annual dinner on November

16th (reported in *The Accountant* of November 25th), the President of the Institute, Mr W. E. Parker, C.B.E., F.C.A., met some of the Society's students in an informal discussion.

Opening the discussion, Mr D. A. Boothman, F.C.A., President of the Society, outlined the recommendations of the Parker Committee which had now come into effect, and welcomed thirty-nine students from the Manchester College of Commerce at present undergoing the full-time training envisaged by that report.

In the discussion on the efficacy of the nine-month full-time training scheme, Mr Parker heard some interesting impressions from students. Answering a question on whether the syllabus should be widened in scope so as to provide a general management education for those wishing to enter industry, the President regretted such a proposal on the grounds that it would lower the status of the qualification, but he did point out that future students would soon be able to train in industry, with the opportunity to change to training in industry from training in the profession.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

MONDAY

Annual Dinner, Grosvenor House, Park Lane.

6.45 p.m. Chess match v. Polytechnic (Home).

WEDNESDAY

Rugby Football match v. Liverpool C.A.S.S. (Away).

FRIDAY and SATURDAY

U. C. A. S. S. Annual Conference, Manchester.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

The Chartered Accountants' hockey match against the Law Society team will be played next Wednesday at Crystal Palace, starting at 3 p.m.



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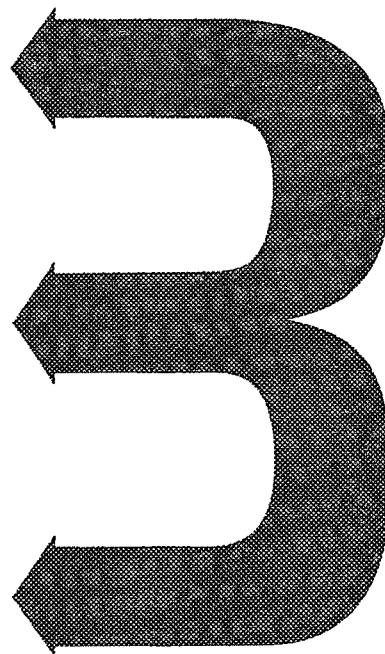
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Take-overs Analysed

ONE of the most agreeable characteristics of the British public is its appreciation of the gallant underdog. Nothing makes it happier than to see a Goliath toppled. Unfortunately, life in general is rather different. As Professor H. ROSE and Mr G. D. NEWBOULD¹ demonstrate in the current issue of *Moorgate and Wall Street*, in the realm of take-over bids it is almost invariably the big fellow who swallows the little one. Admittedly, the most recent, and indeed largest, take-over of our time demonstrated the opposite: G.E.C., in terms of net assets, was substantially smaller than A.E.I. However, the main lesson of that particular case is that it can lead to misleading conclusions on the subject of take-overs.

The analysis by Messrs ROSE and NEWBOULD is based in the main upon a sample of take-overs - the 311 corporate take-overs reported in *The Financial Times* during the three months March-May inclusive of this year. The costs of acquisition to the companies concerned was £440 million, although if only non-financial companies are included the sum is reduced to £410 million. Whether or not this sample is entirely representative of take-over activity is somewhat debatable, however.

For instance, the three months' total is only some £80 million less than the annual average for 1964-66 and almost £80 million higher than the annual average for the period 1959-63. In short, the year now coming to its close has seen a remarkable spate of acquisitions in the corporate sphere. And even discounting the interest of the Industrial Reorganization Corporation in the G.E.C.-A.E.I. affair, it is certain that the trend towards mergers and amalgamations - whether they are willing or shot-gun unions - is likely to remain a feature of future U.K. corporate life.

Even allowing for the boost given to the monetary content of the sample by the G.E.C.-A.E.I. bid, the fact is that 1967 has merely witnessed another stage in the growth of take-over activity. Between 1954 and 1961 over 500 quoted companies and no less than 2,900 unquoted companies were taken over. The former group cost in total, on the basis of the published data, about one and a half times as much as the latter.

The Board of Trade has estimated that during 1962 and 1963 about one out of five or six quoted companies in the manufacturing, building and distribution industries made at least one acquisition.

¹ Professor ROSE is Esme Fairbairn Professor of Finance at the London Graduate Business School, and Mr NEWBOULD is Lecturer in Accounting at Liverpool University.

In the case of the largest companies, defined as those with net assets over £25 million, about one in three made acquisitions. Figures for 1964-66 are not yet available but the trend is unlikely to have been halted.

Messrs ROSE and NEWBOULD draw a number of conclusions from their analysis of recent trends and of the experience offered by the more detailed investigation of their 1967 sample of 311 take-overs. Thus, their data demonstrate that there is no basis for the belief that the acquiring company is always more efficient and earning more on its assets than the acquired. Here again, one suspects that the recent G.E.C.-A.E.I. case may have influenced some people's thinking on the point. According to the author's sample, in 24 out of 46 cases where the acquisitions involved over £500,000 the company acquired showed a rate of return at least 10 per cent above that of the purchasing company; in 5 cases there was little difference and in 17 cases only was the purchasing company's rate of return higher.

Nor is the generalization that the purchased company is generally weaker in terms of liquidity any more sustainable on the 1967 data. In many instances the reverse was true. On the other hand, the Board of Trade's analysis of acquisitions in 1954-61 did show that liquidity was less for companies being acquired. Messrs ROSE and NEWBOULD infer, on the assumption that profitability is correlated with liquidity, that during those years the purchasing company tended also to be the more 'profitable'. They believe that the balance between 'bidder' and 'biddee' may have changed in recent years, especially with regard to rates of return and net asset strength. In other words, the data suggest that a change has taken place in the object of making acquisitions.

There are certainly good reasons for accepting such a thesis. The trend towards a greater degree of concentration within industry is a continuing fact of U.K. economic life. Such a development consolidates the structure of the industry and makes it easier for the industry to negotiate with Government departments. It eliminates competition and may also result in some strengthening of management if the acquired company has been more efficient than its new owner.

Another important consideration is that many large companies have substantial liquid assets which, if all the facts were known, are almost certainly not earning their full economic return. Such funds can be, but are not invariably, used more profitably in acquiring other industrial interests. At least the board thereby creates the impression among its shareholders that it is doing something positive. In short, industrial concentration, rather than more profitable exploitation of assets – as in the 1950s – is probably the dominant factor in the present spate of take-overs.

On the evidence of the 1967 sample, the price paid for acquisitions varied from 100 to 199 per cent of the pre-bid price; all but one acquisition were priced above the pre-bid price. The average consideration was a premium of one-third over the pre-acquisition price. The premium tended to be small where there was a formal merger but large where the bids were opposed. Thus in the former case the average premium over the pre-bid price was 20 per cent; for those contested by directors it was 60 per cent.

On the other hand the proportion of contested bids was very small – 21 out of the 311 cases, or less than 5 per cent. Hence, too much should not be read into these conclusions. After all, where the bid was uncontested, it can be assumed that either prior negotiations had brought about agreement on the price, or the acquired company did not believe that a better bid could be obtained anywhere else.

As far as the premium paid over the pre-bid price is concerned, the authors argue that their data indicates a relationship between premium over the book value of the assets per share and the rate of return on equity assets. In short the higher the return, the greater is the premium. Such an observation confirms the expected conclusion. After all, the acquiring company is not interested in the book assets except to the extent that the earnings thereon are worth having.

On the other hand, this relationship is not constant; the authors find a considerable variation in the range of premiums paid. Here again these findings correspond with common-sense expectations. As the article sensibly comments, no bidder is likely to open with the top price he is prepared to pay. Bidding is a matter of tactics; even a modest premium over the market prices for the equity may be sufficient to tempt some selling. Furthermore, putting a true value on the equity, is, to put it no more strongly, rather difficult. Some margin is inevitable between the full price and the bid, just as the state of the industry and the role of the companies concerned in the bid in relation to the market for that industry are a crucial factor. Such considerations alone may bring in another company, if only to block a measure of consolidation within the industry which would be to the disadvantage of the third party.

One of the most striking findings in the survey is the changing composition of the consideration paid. Between 1954 and 1967, as the cash element has declined, so the fixed interest proportion of the increasing non-cash consideration has grown. In 1954 cash provided 68 per cent of the purchase price and the balance was paid in equities and bonds. By 1967 these ratios were reversed. At the same time loan stock issues have replaced the formerly popular preference stock and, for that matter, equity shares too. As the result of mergers and bids, the equity interest

in the companies taken over has been reduced by nearly 50 per cent. In short, even if the acquiring company cannot earn as much on assets as the previous owners, in the long run the inflation will make their performance look much better!

The sad truth is that the shareholders of a company for which a bid is made are in a cleft stick. The fact that a bid is being made suggests that the buyer can earn more on the assets for the shareholders than can the existing board. But, as Messrs ROSE and NEWBOULD have revealed, this is far from being the invariable

case in respect of its existing assets. And, where there is some evidence for believing the claim to be true – as in the recent G.E.C.-A.E.I. tussle – the shareholders are usually ignorant of the true worth of their assets. They have only two alternatives – to take a quick profit, or be washed along in the tide of events. The proper answer to this state of affairs is not merely a code for take-overs, however well-intentioned, but the provision at regular intervals of a great deal more information concerning the companies in which the public is interested than it gets at the present time.

Finance Bill to go 'Upstairs'

BRITAIN now shoulders a burden of taxation quite unprecedented in peace time. It is not so long ago that there were but three heads of taxation – income tax, surtax and profits tax. Now there are ten – income tax, surtax, corporation tax, distribution tax, withholding tax, short-term gains tax, capital gains tax, selective employment tax, betterment levy, redundancy employment payment. Moreover, taxpayers with interests in company enterprises have to pay tax twice over: first, when their companies earn the profits, and then when the profits are distributed. Corporation tax which, according to its authors, was not going to exceed 40 per cent, goes up to 42½ per cent next April.

In this bleak climate, Mr RICHARD CROSSMAN, The Lord President of the Council, last week moved that the committee stage of future Finance Bills should be taken in standing committee 'upstairs' in order, he observed, to relieve members from the 'tedium' of taking it on the floor of the House, and to save time for debates on wider topical issues. Despite the total weight of the Opposition, as well as some expressions of doubt from the Government side – notably from Mr THOMAS PRICE who wanted to know if the reform would produce a better state than the one it replaced – the motion was carried with a Government majority of sixty-eight.

Those who bear the brunt of the new taxation – its weight as well as its incredible complexities – would be a lot happier if the House of Commons concentrated on its primary function enshrined, as we have emphasized before, in the slogan 'no taxation without representation', and did not write off Finance Bills as a matter of 'tedium'. One supporter of the Government motion contemptuously described the committee stage on the floor of the House as an 'annual jamboree'

and 'the Parliamentary equivalent of a spring tribal dance'. It may be that for some individual members the committee stage is devoid of interest, but it is none the less a vital part of the British democratic process.

Opponents of the change gave cogent examples of the benefits which can emerge from the committee stage taken on the floor. One anomaly was the absurd provision of the selective employment tax which gave no exemption for charities, the employees of which accordingly counted for less than the work of those of manufacturers of 'fruit machines'. This was put right through members' persistence and is unlikely to have been achieved in standing committee.

Cognate with the objection to the standing committee procedure is the fact that back-bench members will no longer have the opportunity of raising detailed criticism. Practically every member has a special constituency interest in relation to some aspect of the annual Finance Bill and it is therefore of the greatest importance that he should be able to ventilate it if he should be so minded.

Mr BOYD CARPENTER, for the Opposition, said it was clear the 1968 Finance Bill would be a particularly critical and in many ways, an 'extremely harmful one'. There was very good reason to believe the Bill would contain 'a capital levy disguised under the title of a wealth tax'. And, said Mr BOYD CARPENTER, he had a shrewd suspicion that the change was being put forward at this time 'to make it possible for a critical and controversial Finance Bill to have its most crucial stage in a committee room upstairs with the majority of hon. members debarred from taking part and in the hope that there will be the minimum of publicity for it'.

As to the operation of standing committees, one member said that when he first came to the House he was given advice by a former Whip not to contribute to what was said. In fact, since one was not allowed to read newspapers there, one might as well do one's correspondence. In the light of such a 'don't care' attitude to fiscal legislation, it is small wonder that it is so badly drafted, incomprehensible and unfair.

COMPANIES ACT 1967

Company Investigations

SECTIONS 109 to 118, inclusive, of the Companies Act 1967 confer on the Board of Trade additional powers to inspect a company's books and papers. Sections 35 to 42, inclusive, give the Board further powers in connection with the investigation of a company's affairs.

Under section 224 (1) (d) of the Companies Act 1948 the Board of Trade might present a petition to the Court for the winding-up of a company which fell within section 169 (3) of the Act. Section 169 (3) in turn applied where it appeared to the Board from a report of its inspectors that it was expedient, unless a company was already being wound up by the Court, to present a petition for it to be so wound up by reason of the circumstances set out in section 165 (b) (i) or (ii). These circumstances were (i) that the business of the company was being conducted with intent to defraud its creditors or the creditors of any other person or otherwise for a fraudulent or unlawful purpose or in a manner oppressive of any part of its members or that it was formed for any fraudulent or unlawful purpose; or (ii) that the person concerned with the formation of the company or the management of its affairs had been guilty of fraud, misfeasance or other misconduct towards it or its members.

Section 35 (1) of the 1967 Act makes a fundamental change in the law by empowering the Board of Trade to petition to have a company wound up on the ground that it is 'expedient in the public interest', if the Court thinks it just and equitable for it to be so wound up. Before the Board can act under section 35, however, it must appear to them from a report of their inspectors under section 168 of the 1948 Act or from any information or document obtained under section 109 to 118 of the 1967 Act or under sections 18 or 19 of the Protection of Depositors Act 1963 that it is expedient to take that course.

During the passage of the Companies Bill through Parliament the PRESIDENT OF THE BOARD OF TRADE admitted that this new power was very much broader than any which had hitherto existed, but he justified it on the ground that cases had arisen in the past where fraud was suspected but the Board had been unable to act because none of the requisite conditions was fulfilled. He claimed that this was the most effective and substantial way of giving the necessary additional power to the Board.

On the other hand, no definition of 'public interest' is contained in the 1967 Act and, subject to what has been said earlier, the Board has only to consider it 'expedient in the public interest' to present a petition for the winding-up of a company. This right to present a petition, whether well-founded or not, is quite unchallengeable, but before making an order the Court must think it 'just and equitable' for the company to be wound up by the Court.

In his booklet *The Companies Act 1967 - An Introduction*, at page 39, Mr J. A. FRANKS poses the interesting question 'whether the judges will in fact hold that they must be satisfied that it is just and equitable for the company to be wound up because the Board of Trade considers it expedient in the public interest or whether the Court will insist on first being satisfied that the public interest has been proved strictly'.

There is, of course, a body of case law on what is meant by the words 'just and equitable', since section 222 (f) of the 1948 Act provides that a company may be wound up by the Court if the Court is of opinion that it is 'just and equitable' that the company should be wound up. Under that section winding-up orders have been made on the grounds that the substratum of the company was gone, that the company was a bubble, that the company was 'conceived and brought forth' in fraud, that full investigation was necessary, that there was a complete deadlock, that the articles of the company provided for a winding-up in the event which had happened, that one of the principal shareholders who had a majority of the voting power refused to produce accounts or balance sheets or to pay dividends and that the petitioner was excluded from all participation in the business. On the other hand, where the directors of a company holding half the company's shares refused to register as members the executors of a deceased shareholder who held the other half, thus giving themselves complete control, a winding-up order was refused.

It seems to us that if the Court were to interpret the words 'just and equitable' in accordance with the existing body of case law on what is sometimes called the 'just and equitable clause', bearing in mind the interests of the company, its shareholders and creditors and disregarding the 'public interest', the Board could go on presenting petitions in the public interest and

the Court could go on turning them down because they did not come within the 'just and equitable clause' as at present judicially defined. It seems, therefore, that the Courts will in future be concerned with the public interest in deciding whether or not it is just and equitable that a company should be wound up.

This concept of 'public interest', however, was not wholly absent from the 1948 Act. Thus, section 169 (4) provided that if it appeared to the Board of Trade that proceedings ought in the public interest to be brought by a company for the recovery of damages in respect of fraud, misfeasance or other misconduct in connection with the promotion or formation of the company or the management of its affairs, or for the recovery of any property of the company which had been misapplied or wrongfully retained, the Board might themselves bring proceedings for that purpose in the name of the company.

Section 169 of the 1948 Act is wholly repealed by the 1967 Act as from July 27th, 1967, and in section 224 (1) (d) of the 1948 Act a reference to section 35 (1) of the 1967 Act is to be substituted for the reference to section 169 (3) of the 1948 Act. But section 35 of the 1967 Act goes further.

Section 210 of the 1948 Act provides, *inter alia*, that any member of a company who complains that the affairs of the company are being conducted in a manner oppressive to some part of the members, including himself, or, in a case falling within section 169 (3) the Board of Trade, may make application to the Court by petition for an order under the section. If, on any such petition, the Court is of opinion (a) that the company's affairs are being so conducted, and (b) that to wind up the company would unfairly prejudice that part of the members, but otherwise the facts would justify the making of a winding-up order on the ground that it was just and equitable that the company should be wound up, the Court may make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future, or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital or otherwise.

Section 35 (2) of the 1967 Act provides that if, in the case of a company within section 35 (1) it appears to the Board of Trade from any report made or information or document obtained that its business is being conducted in a manner oppressive to any part of its members, the Board may, in addition to or instead of presenting a petition under section 35 (1), present a petition for an order under section 210 of the 1948 Act, as an alternative remedy to winding up in cases of oppression. Accordingly, section 210 (1) of the 1948 Act is to have effect with the substitution

of section 35 (2) for the reference to section 169 (3) of the 1948 Act in that subsection. The Board of Trade as well as a member of the company can petition the Court for an order under section 210 of the 1948 Act and it is no longer necessary, in the case of the Board, that the conditions of section 165 (b) (i) or (ii) of the 1948 Act should be present as applied by section 169 (3) of that Act.

Although section 169 of the 1948 Act has been wholly repealed by the 1967 Act, section 165 of the 1948 Act is not repealed, but sub-paragraph (i) of paragraph (b) of that section has been extended. As this sub-paragraph was originally enacted it empowered the Board of Trade to appoint one or more competent persons to investigate the affairs of a company if it appeared to them that there were circumstances suggesting, *inter alia*, that its business was being conducted with intent to defraud its creditors or the creditors of any other person etc. The Board found this provision defective because their power to conduct an inquiry only arose where the business was currently being conducted with intent to defraud and the Board had no power to act if the activity had ceased. Accordingly, section 38 of the 1967 Act amends paragraph (b) (i) of section 165 of the 1948 Act to cover the case where a business has been conducted with intent to defraud etc., and also the case where the company is in course of being voluntarily wound up, possibly to avoid an inquiry under the 1948 Act.

Section 39 of the 1967 Act amends section 167 of the 1948 Act which imposes on officers and agents of companies being investigated the duty to assist the Board's inspectors. Subsection (1) of section 167 requires such officers and agents to produce to the inspectors all books and documents of or relating to the company or, as the case may be, the other body corporate which are in their custody or power, but the subsection does not require the officers or agents to attend before the inspectors when required to do so. Paragraph (a) of section 39 of the 1967 Act makes good this omission. Under subsection (3) of section 167, any officer or agent of a company who refuses to produce to the inspectors any book or document which it is his duty under the section to produce or who refuses to answer any question which is put to him by the inspectors with respect to the affairs of the company, may be punished as if he had been guilty of contempt of Court. Under paragraph (b) of section 39 of the 1967 Act such officer or agent may be similarly punished if he refuses to attend before the inspectors when required to do so.

Section 36 (a) of the 1967 Act repeals subsections (1) and (2) of section 169 of the 1948 Act so that it is now open to the Board of Trade and DIRECTOR OF PUBLIC PROSECUTIONS IN ENGLAND AND WALES to agree

among themselves which shall carry out any prosecution, while in Scotland the decision will lie between the Board of Trade and the LORD ADVOCATE. Section 36 (b) of the 1967 Act makes a consequential modification of section 170 (1) (a) of the 1948 Act.

Section 37 of the 1967 Act provides that if, from any report made under section 168 of the 1948 Act, or from any information or document obtained under sections 109 to 118, inclusive, of the 1967 Act or section 18 or 19 of the Protection of Depositors Act 1963 it appears to the Board of Trade that civil proceedings ought in the public interest to be brought by any company, they may themselves bring such proceedings in the name and on behalf of the company, in which event the Board is to indemnify the company against any costs or expenses incurred by it in or in connection with such proceedings. This power (which is in addition to the power to petition the Court for a winding-up on the ground of public interest in section

35 (1) of the 1967 Act) replaces section 169 (4) of the 1948 Act (now repealed) whereby the Board had power to bring such proceedings for the recovery of damages in respect of fraud, misfeasance or misconduct, etc. As a result of the repeal of section 169 of the 1948 Act, section 37 (3) of the 1967 Act makes consequential amendments of section 170 (1) (a) and (3) of the 1948 Act, while section 40 of the 1967 Act amends the provisions of section 170 of the 1948 Act relating to the expenses of investigations.

Section 41 of the 1967 Act provides that an inspector appointed under section 164 or 165 of the 1948 Act may at any time in the course of his investigation, and without the necessity of making an interim report, inform the Board of Trade of matters coming to his knowledge as a result of the investigation which tend to show that an offence has been committed. Section 42 extends the Board's powers of investigation to certain bodies incorporated outside Great Britain.

Current Affairs

Checking the Brain Drain?

THE announcement by the United States Government of a new principle underlying its immigration policy led to headlines last week in the British Press to the effect that the brain drain from Britain to the U.S.A. would be checked. In place of the current national quotas under which immigrants are admitted to the U.S.A., the United States Government has devised six 'preference' categories within each of which 17,000 persons per annum will be admitted after July 1st, 1968. Category 3 is the one concerned with professional or highly skilled persons, including graduate scientists and engineers. Since there are already sufficient qualified persons awaiting admission within this category to fill the quota for the next three years, the logical conclusion is that after July 1st next, few, if any, U.K. nationals will be able to go to the States.

Without being unduly cynical, it is self-evident that appearances may differ widely from realities. As Dr F. E. Jones, chairman of the sub-committee which

prepared the recent official report, *The Brain Drain* (*The Accountant*, October 21st) has remarked, the results will depend upon the way in which the Americans interpret the new law. If any United States firm engaged on priority work for one of the Government agencies needs a particular person, it is really altogether too naïve to believe that such important recruits to American industry will have to take their turn behind many far less well qualified persons.

Encouraged by the offer of assistance from the Ministry of Technology, the U.K. firm Management Selection Ltd, has compiled a register of some 400 people at present in the U.S.A. who would be willing to come to Britain to exercise their skills. The problem here, if recent correspondence in the Press is any guide, is not so much the lack of willingness on the part of such persons to come to Britain as the employers' unwillingness to hire such labour. According to some critics it is this self-same attitude which underlies much of the managerial weakness in British industry, more especially management's failure effectively to use the services of scientists on the staff.

Industrial Assurance

PREMIUMS paid on industrial assurances in 1966 rose to a new peak of £254 million – £11 million higher than in the previous year, according to the recent report of the Industrial Assurance Commissioner for the year 1966 (H.M.S.O., price 6s). The £136 million paid out on death and maturity easily surpassed the earlier record payment of £121 million in 1962 and was £18 million more than was paid in 1965.

Despite the rise in the amount paid in premiums, the

number of policies in force continued to fall. There were 5,285,000 new policies taken out during the year (65,000 fewer than in 1965) but this was considerably less than the number discontinued; at the end of the year there were 109,687,000 policies in force, 2,019,000 fewer than at the end of 1965. Of the new policies taken out, three-quarters contained an endowment element.

At the end of 1966 there were fifteen assurance companies and seventy-eight friendly societies carrying on this type of business. Their combined industrial assurance funds amounted to nearly £2,000 million.

Institute's New Council Member

MR GODFREY BROUMTON JUDD, M.A., F.C.A., a partner in the firm of Mann Judd & Co, Chartered Accountants, of London, was elected to the



Council of The Institute of Chartered Accountants in England and Wales at a meeting of the Council held on Wednesday of last week (reported on other pages in this issue).

Mr Judd, whose election fills the vacancy caused through the retirement of Mr E. F. G. Whinney, M.A., F.C.A. (announced in *The Accountant* of July 15th), was born in 1911 in Glasgow and is the son

of a Scottish chartered accountant, the late Mr H. G. Judd, who was a partner in John Mann & Son, now Mann Judd Gordon & Co, Chartered Accountants, of Glasgow.

He was educated at Gresham's School, Holt, Norfolk, and Jesus College, Cambridge, where he read natural sciences and economics and took a great interest in rowing.

On leaving Cambridge during the depression of the early 1930s, Mr Judd had little thought of becoming an accountant, but a job in the dispatch department of his father's London office was the only vacancy obtainable. Articles, examinations, admission to membership of The Institute of Chartered Accountants in England and Wales in 1936 and partnership all followed almost before he realized that he was turning himself into a practising accountant.

During the war as a gunnery officer, Mr Judd was in charge of a proof and experimental establishment testing Sheffield-made shot and armour. Returning to accountancy after the war with the intention of merely getting his business knowledge up to date, he found the work of a practitioner interesting and rewarding and he had no regrets that the slump of 1930 had accidentally brought him into the profession.

Mr Judd has served as a committee member of the London and District Society of Chartered Accountants

and has taken an active interest in the Society's discussion groups. He has attended many summer courses of the Institute and is now a member of its Public Relations Committee on which he had been serving as a co-opted member for some years.

Road Haulage Costs

IN its third report on the industry entitled *Charges, Costs and Wages in the Road Haulage Industry* (Cmnd 3482, H.M.S.O., 4s 3d), the National Board for Prices and Incomes concedes the case for some increase in road haulage charges. Nevertheless it refuses to recommend any specific increase as reflecting the higher costs, just as in its 1965 report the Board refused to affirm the practice of rate recommendation and, indeed, urged its abandonment.

The basic problem within the industry is clearly its structure; an industry in which half the operators have only one vehicle will inevitably experience price cutting – particularly at times when demand for its services are declining and profit margins are being squeezed. Another aspect of the industry which troubles the P.I.B. is that employees' pay is so heavily dependent upon excessive overtime.

Commenting on this situation, the Board observes that 'the size of the pay packet in this industry is determined not so much by the number of hours worked, but by the number of hours for which the employer is prepared to pay'. A survey involving 4,000 drivers carried out last September revealed that the average driver worked 58.6 hours weekly; nearly 80 per cent of the sample were working over fifty hours. In consequence, average earnings were over £22 per week as compared with a basic rate for the normal week of about half that figure.

It is largely on account of this extensive overtime that the P.I.B. has refused to support the claim for a higher basic wage; to grant this claim would merely result in higher overtime payments. The Board concedes the case for a modest increase in the pay of those on the basic week and puts forward two proposals for increasing the pay of those – a minority – who work less than forty-five hours.

The real problem within the industry is the contrasting circumstances of the firms operating as hauliers; the needs of the small independent operator are clearly completely different from those of the large firm with its heavy overheads. The P.I.B. stresses the need for increasing productivity and urges consultations to this end within the Road Haulage Council and the National Negotiating Committee.

International Tax

THE International Bureau of Fiscal Documentation raises two issues in its annual report for 1966 which it considers urgent and requiring research. The introduction to the report, which also summarizes the tax changes during 1966 as well as recent tax agreements,

is devoted to two topics, the first described as 'The tax interest of the individual and the community', and the second, 'Tax and research'.

On the first issue the report observes that, as legal measures in the tax sphere have a direct influence on the whole economy of a country, it is essential that the Government should seek public co-operation and avoid antagonizing the public. It notes that too many changes are nowadays made ostensibly for economic purposes about which there is no preliminary discussion. The result is to affect adversely the interests of selected groups. Obvious cases that spring to mind are changes in the investment allowance system, and the selective employment tax.

The increasing degree of economic integration throughout the world means that there is an inevitable internationalization of the movement of capital, goods and services. Unfortunately, this tends to be restricted by the variety of tax systems. Although there are institutions all over the world devoted to the study of economic problems, few countries have comparable bodies concerned with taxation and tax law. In particular, few of these are concerned with comparative taxation as distinct from investigating problems of their own tax system.

The report is also concerned with the development of tax legislation in the developing countries. These countries are attempting to improve their infrastructures, a task which developed countries have needed scores of years to accomplish. Such changes demand, *inter alia*, stringent fiscal measures upon which these Governments are advised on many points by a number of international organizations. However, the fact must be faced that the Civil Service in such countries is ill-equipped to introduce and apply modern tax laws. Much could be done by further research to assist bilateral and multilateral tax agreements with such countries.

International Liquidity

WITH the devaluation of the £, British citizens generally have been made aware of the existence of the problem of international liquidity, more especially in the light of the role of sterling as a reserve currency. The basic argument, which has occupied international meetings of bankers for the past decade, is simple enough. It is that unless the supply of reserve currencies is increased to make up for the inadequacy of the world's gold supplies, debtor nations will tend to restrict their trade, and such restrictions will usher in a new era of 'beggar my neighbour' policies.

In a new Institute of Economic Affairs' Occasional Paper, Mr J. Enoch Powell, M.B.E., M.P., employs his considerable debating skill in debunking the experts and endeavouring to drive home a few basic economic truths. According to the paper – *Exchange Rates and Liquidity* (4s 6d) – root problems of the world monetary system stem from the restrictions on the forces of supply and demand imposed by various Governments.

A major disequilibrating factor, therefore, is the rigidity of exchange rates which cannot reflect the movements in a nation's trade balance. Nor is the problem nearer solution by virtue of the fact that the International Monetary Fund's post-war parities, which were regarded as provisional by that authority, have – for political reasons – come to be fixed and rigid.

Likewise pegging the price of gold, merely to prevent Russia and South Africa from making large capital gains from a revaluation thereof, has meant that no one now knows whether gold is essential or inessential to the world's monetary system as would be the case if the price of gold were allowed to find its own level in the same way as the price for any other commodity.

The paper is consistent with Mr Powell's declared aversion to any intervention in the price mechanism which would regulate the allocation of resources in a free economy. The world's monetary problems are, in his view, the by-product of the restrictive policies pursued by Governments which insist on 'managing' their economies, rather than allowing market forces to bring about their own correctives. Like all Mr Powell's contributions to the debate on planning, the paper is lively and provocative. The real issue is whether any modern electorate is prepared to let the price mechanism work effectively. Mr Powell would doubtless urge them to try, and he believes that they would be delighted with the result.

Greater London Rates

FEW citizens of the London metropolitan boroughs will be aware that within the dozen inner boroughs and the City of London a scheme of rate equalization is in operation which has the effect of reducing the dispersion of rate levies that would exist without it. The present scheme, introduced in 1965, effectively redistributes Government grant among the inner boroughs by reference to their expenditures. Earlier this year the London Boroughs Association invited Professor A. R. Ilersic, of Bedford College, University of London, to report on the existing scheme and the issue of equalization in Greater London.

According to Press reports, the General Purposes Committee of the London Boroughs Association has recommended Professor Ilersic's proposals to the Association for adoption. If the Association and the Minister of Housing and Local Government approve the proposals, then the current scheme will be terminated and replaced by a new scheme. This will apply not only to the inner boroughs, but to all the thirty-three boroughs in the Greater London Council's area.

Substantial changes would then take place in the pattern of 'paying' and 'receiving' boroughs, with consequential changes in the rate levies. Under the scheme proposed by Professor Ilersic there would be four major paying boroughs in inner London – the Cities of London and Westminster, Camden, and

Kensington and Chelsea; the other nine, with the exception of Islington which would pay just over a penny rate, will all benefit. There will be a net transfer of some £4.8 million from the inner to the outer boroughs, supplemented by small contributions from Ealing (3d rate) and Hounslow (1.6d rate). Most of the remaining outer boroughs will gain from the scheme.

Under the present scheme, which applies only to inner London, there are seven paying and six receiving boroughs. Professor Ilersic describes this scheme as illogical and inequitable since the City of London

receives £2 million, yet Lewisham contributes over £0.55 million; Wandsworth contributes more than does Westminster, while the Borough of Kensington and Chelsea pays nearly £2 million. Because of the substantial impact upon some boroughs of the proposed change-over, Professor Ilersic recommends a transition period of three years during which time the old scheme would be phased out and the new one brought in by stages. Thus the new scheme, even if it were to be adopted by the Association and approved by the Minister, will not be fully operative until 1971-72.

This is My Life

by An Industrious Accountant

THE managing director rapped his little gold pencil quietly on the boardroom table. It had an oddly chilling effect, like the tap-tapping of old blind Pew's stick upon the frozen road in *Treasure Island*. We departmental heads sat silent. All our instincts warned us of breakers ahead.

'About this time last year, I think it was', he murmured sarcastically, 'we planned to cut our costs by not less than 10 per cent in each department. In view of the dubious profit forecast, we accepted somewhat drastic measures. . . . I wonder how our figures look at present?' He turned on me an interrogative eye, in whose cold depths lurked a hint of the skull-and-crossbones of the Spanish Main; he was in his ruthless mood.

As I had before me a tabulation of the approximate, but disappointing, profit-and-loss account for the year - eleven months actual plus one month estimated - it seemed incumbent on me to accept the challenge. There were some creditable reductions shown, I assured him, as well as some interesting variations from budgets. Was there any particular cost figure which he would like to examine as an example?

There was a moment of bated breath as our apprehensive top executives composed their faces into expressions of nonchalant confidence, then the managing director fired a warning shot across my bows. 'We'll start with Accounts, I fancy', he said, and the tiny relieved sighs were perceptible around me. 'How about your manpower reduction programme . . . is there any special area of improvement that you'd care to mention?' Whether the reduction had been affected by walking the plank or by marooning on the nearest island, was obviously felt by him to be a minor point in the story.

Prinny, the personnel director, watched us with a tinge of anxiety. Staff movements are always reviewed with him, so he carried the ultimate share of res-

ponsibility. Not too much detail, urged his frown; 'ware broadsides.

There seemed to be the possibility of two reductions in the wages section for a start, on top of other moves previously reported, I explained. We had come a long way from the hand-written wages books of the past and the majority of our staff were on monthly salaries, though the juniors - especially the girls - in the outside sales departments were still paid by weekly envelopes. A shrewd representative of our punched-card installation people, however, had come up recently with a bright idea which might save considerable time.

By summarizing the variable increments such as overtime and commissions, on a monthly basis, on cards pre-punched with all the fixed data like dates, rates and departments, a quicker and easier system was feasible. The easement should release two juniors in payroll for other duties and should give the payroll supervisor additional spare capacity.

This new capacity could be filled by passing down to him (since he was senior, responsible and discreet) a major portion of my own salaries list. It was of course traditional, I said with my best look of sternly determined inspiration, for the chief accountant to handle personally all senior salaries and bonuses, but a change was overdue. Delegation was justifiable by the pay-off in my own valuable time made free for top-level administrative planning functions; dilution of duties was the modern economic yardstick; cost-reduction was vital.

The managing director, clearly unimpressed by my eloquence, indicated that he'd like me to reconsider. The policy was perhaps theoretically viable, he said, but was nevertheless premature; therefore he thought our senior salaries should continue to be kept strictly confidential. He looked as if he didn't like either me or my ideas. . . . I felt like King Gama in *Princess Ida*:

'I know everybody's income and what everybody earns,
And I carefully compare it with the income tax returns;
But to benefit humanity however much I plan,
Yet everybody says I'm such a disagreeable man!
And I can't think why.'

Effective Management Accounting

With Special Reference to the Smaller Concern

CONTRIBUTED

MANAGEMENT accountants often tend to produce sizeable collections of schedules at regular intervals which cause their business colleagues to question the need for such expansiveness. How much information should be provided? How often? To whom? At what cost?

In the last twenty-five years budgetary control, standard costing, marginal costing and the like, have been accepted as valuable tools of management. While management accountants in particular, and the accountancy profession in general, have done much to promote an understanding of these techniques in the boardroom as well as in the rarified atmosphere of 'central offices', their value in factory and warehouse, on building sites and in retail shops are only just beginning to be fully understood.

Objections to management accounting in depth, especially in smaller concerns, are rooted mainly in fears that it will be expensive to operate and not understood sufficiently to be of any practical use. Yet more than at any other time, technical managers even in small operations have expensive plant, manpower and materials to control, with shrinking profit margins. It falls to the accountant to provide economical tools of cost control to junior management.

In assessing how this may be done for a specific business, its needs have to be considered in terms of essentials. What items fluctuate so much that their costs have a material bearing on profitability? Whose decisions can practically influence these costs? Usually three or four sources of expense will cover two-thirds of the total costs. In this, businesses are remarkably alike, despite the strong conviction of individual managements that they have special problems which face none of their fellows.

An examination of previous accounts will reveal the important elements of cost. Too often there is control of a sort on virtual trivia such as postage and telephone calls, while waste in materials and machine running times go unchecked. Financial control of the latter items seems at first sight to entail complex paperwork (how much easier to put round a circular on misuse of the telephone), but with a little thought the records usually kept for production control, dispatch statistics and allied matters, will provide a basis on which such waste can be measured financially.

When direct and/or indirect labour costs form a

high proportion of product costs, thought on the layout of wage sheets will often show ways by which data for control can be obtained at little extra cost.

A rough plan of the chain of command will show where accounting tools in the shape of cost schedules are needed. No formal plan, with subtle alignments to avoid giving offence to the status-conscious, is required – just a practical statement showing who is responsible to whom for what, down to foreman level.

Knowing the principal cost elements and who can influence them is the starting point in determining what is required. From this the format of schedules can be designed, based on the ideal presentation. Practical considerations of cost and availability will eventually cause formats to be modified, but at this stage it is important to ensure that all essential factors are covered. Businesses follow definite cycles so there should be a check back over at least five years' accounts, for what currently may be insignificant could have been of moment in the past and may well become so again in the future.

There are no short cuts in reviewing the relevant history except, perhaps, the obvious one of confining detailed research to significant entries in ledgers, etc. The auditors can often help from information in their working papers and tax schedules. Careful and prolonged study should be made to establish the essential elements.

Design of schedules

This first sketch of what is required forms the basis of the ultimate format of schedules. Since the figures to be presented are intended for more junior management they should be laid out so that folios can be distributed singly through different channels without causing odious comparisons. The need for savings in works costs are always more apparent to 'Sales' than to the 'Works' and vice versa. However, figures for departments with like operations can sometimes usefully be shown on one sheet, thus promoting a spirit of competitive comparison. This helps to maintain both an interest and a will to act on the figures in a spirit of competition.

Consider the amount of detail in which departmental expenses, etc., may be shown. Expense headings should be detailed for major items which can be

controlled within the department; wage costs may need more than one heading, but service costs outside the department's control – such as rents, rates and insurances – can well be aggregated.

The type of item covered by each expense should be easily defined: for example, costs of loose tools and consumable stores are better aggregated because of difficulties of consistently placing items in one or other category. In broad terms separate headings should be provided only for those expenses which comprise 10 per cent or more of a department's total cost.

At the same time a common series of expense headings for groups of departments facilitates the preparation of figures and simplifies analysis, while some expenses in individual departments may be below the '10 per cent' yardstick. Apportioned sums for head office and similar 'service' charges should be included when appropriate in branch or departmental accounts. These are always regarded as suspect by junior management but are a fact that has to be faced. It is, of course, important to explain the origin of each charge so far as possible.

Inter-departmental profits are not worth showing if they have to be created artificially. It is a brave accountant who apportions known profit between departments, let alone artificial ones! However, where profits can be calculated for a branch, division or company in relation to that unit's sales to third parties, these should be shown. The fact that they are subsequently syphoned off for tax or other reasons should not reflect in detailed management accounts. Junior management are best left in ignorance of these so-called 'accounting wangles'.

Same format

In producing management accounts short cuts may be taken for reasons of economy but the results should always be reconciled with the legal accounts. This is facilitated if both are kept in the same format. Discrepancies often arise from the element of estimation used, for example, in stock valuations (as discussed later) but an accuracy within 5 per cent of final profit results is acceptable. Closer accuracy is too expensive and often delays presentation beyond the time when the figures are of effective use.

Written reports as part of the management accounts are usually necessary for the guidance of senior management. But for junior managers a few words of explanation from the accountant and a 'shop floor' talk over the figures are much more cogent, especially when they are not normally concerned with commercial aspects of the business. Such short discussions enable the accountant to make his reports to top management more effective and avoid possible 'red herrings'. The form of such reports should be varied to make them more readable and to bring out salient points indicated by the figures. But comments on specific areas should always be made known to the departmental manager concerned before the report is submitted to higher management.

Frequency of presentation

Ideally the figures should be presented so that no major adverse trend can continue long enough to cause serious loss. In some cases a few major elements of cost can vary greatly in the short-term whilst the majority are constant. In these circumstances the management accounts may better be devoted to presenting a few vital figures weekly, than full sets of figures monthly. For example, in many process industries fixed costs can be adequately controlled by quarterly statements, whilst weekly figures of material cost, wastage, etc., are essential. On the other hand, sufficient time must elapse for trends to be clear. In many capital goods industries weekly fluctuations are not significant.

To be effective, figures must be issued within a reasonably short time from the end of the period to which they relate. Weekly figures issued two to three weeks after the actual period they cover may be better replaced by bi-monthly figures produced in time to enable management to relate them to recent events.

In the initial stages of introducing a system some trials may be necessary to determine the optimum frequency and degree of accuracy required. Figures with a 10 per cent margin of error presented in time for corrective action to be taken are more useful than accurate data issued after several weeks' losses have gone unchecked.

The major discrepancies in management accounting are usually found when book and physical stock values have to be reconciled. This type of error can only be covered by contingency reserves in the management accounts and a diligent check of the basis on which book stocks etc. are calculated. The most successful system of stock control will not eliminate losses due to bad discipline or housekeeping; they will only show up the cost of such slackness in the organization. Whatever system is adopted should be checked by sampling a number of specific products, building in any known rates of loss (such as pilferage in retail stores) and ensuring that significant losses can be recorded under the system.

If approximations are used and subsequent errors come to light, these should be adjusted in following periods unless they are substantial. The confusion of issuing amended figures does more harm than is achieved by any sense of greater accuracy. The degree of estimation should be explained to managers so that they will expect some measure of adjustment.

Full quarterly accounts should always be prepared, preferably with some element of check on physical stocks if the basis on which the management accounts are prepared has not been tried and tested. In smaller businesses quarterly figures should be vetted by the auditors, the small extra charge for this work being well worth while and assured figures are provided against which to back-check periodic management statements.

Routine accounting statements issued at regular

intervals need to be revised periodically. Often such figures, as for example, wages per £1 of sales, may be very illuminating for the first few months of issue, but once action has been taken as a result of what they reveal they tend to become just another 'piece of paper'. In such cases it is better to discontinue their regular preparation, and to instigate occasional checks on the data to ensure there is no adverse change.

Indeed, a good deal of interesting rather than vital information frequently has to be omitted from management accounts on the grounds of speed and simplicity. Such omissions can be made good, however, by occasional studies and these often have more impact on management than if they form part of routine reports.

Who should have copies?

The extent to which senior management below board level should be given information causes some doubts in the minds of directors. Sales managers see apparent excesses in works costs and vice versa, but these are factual measurements of each department's overhead burden. Knowing them should help mutual understanding, especially if the management accountant tactfully justifies to each manager his colleagues' needs for such expense levels.

Many proprietors are reluctant to pass information on profits to their senior managers. This leads to a feeling of mistrust and misunderstandings which often causes needless heart searching on both sides. A man responsible enough to control the major part of the labour force should surely be responsible enough to use such profit information properly. There is the apocryphal story of the works manager who got details of annual profits from his works convenor, for although not distributed to senior managers, the accounts were filed with the Registrar of Companies and the file was searched each year by the union.

Works superintendents, foremen, area sales managers and the like, should not, however, have details of profits unless this information is passed to all employees. These junior managers cannot say that they 'know the profits but are not telling' as easily as their seniors. This is not to say they should not have as much other financial information relevant to their departments as is practical. The extent to which a person falls within this level of management can be defined as one who has two or more people responsible for operators reporting to him.

There has so far been poor response from attempts to give even a broad financial statement of operations to people on the bench or at shop-counter level. Perhaps these feel that getting good financial results is the problem of management; however they are usually interested, some more than others, on how the firm is doing. The occasional talk to the works committee by the management accountant and informal chats with operators can do much to engender cost consciousness on the factory floor and in the office.

Having decided who is to have financial information,

it is most important that the figures should be explained. What items they cover, how they are calculated, the basis on which common services are apportioned, will call for explanations not just once but many times. Junior management should be brought into the formulation of budgets. If these personnel feel that they have helped to formulate the figures, they are much more likely to take notice of them. It is useful both to the managers and the accountant to have a couple of trial runs when figures are not distributed to senior management. Departments then can correct the more obvious sources of waste and the accountant can eliminate any obvious calculation errors.

The cost

Many schemes of management accounting never get beyond the outline stage because managements feel them to be too expensive. Management accounts do cost money but not nearly as much as is often believed by laymen. Perhaps subconsciously, the cost of monthly accounts are equated with the cost of the annual accounts. But by careful planning of the layout of the financial books, monthly and other periodic figures can be extracted remarkably easily, and this is the key to keeping costs down.

The format of books needs thought for a conventional double-column ledger and books of prime entry are often not suitable. The writer is old-fashioned enough to believe in double entry book-keeping. However, the layout of ledger pages to make use of analysis columns to break down entries by headings of expense, nominal ledger control accounts for cost centres and similar techniques of layout, can still retain double-entry principles while facilitating the extraction and balancing of figures. There is an ample range of ledger stationery for the small concern, which afford methods by which the posting chore is greatly eased; and of course in the design of special purpose and mechanized accounting stationery the requirements of a management accounting system can be incorporated.

The accounting and clerical time required must not be underestimated and the following table is a guide to likely costs of preparing monthly accounts in the mechanical engineering industry:

		Number of employees	Turnover £000	Accounting costs	C as percentage of B
		A	B	C	
			£	£	
(1)	..	1,800	4,000	9,600	24
(2)	..	1,200	2,000	5,100	25
(3)	..	250	1,000	3,700	37
(4)	..	120	500	3,200	64
(5)	..	75	350	2,100	60

These figures allow for the use of professional accountants' services in the smaller units and an element of 20 per cent on salaries for pension contributions etc. Whilst the work of some personnel is divided between

preparation of management figures and routine financial recording, a fair apportionment of their time has been made. From these figures it will be seen that costs vary from .24 per cent to .60 per cent of turnover. However, the cost of materials would be on average some 27 per cent of turnover and labour costs (direct and indirect) approximately 40 per cent.

The sets of accounts prepared under this range of costs covered between eight and thirty cost centres (with comparisons of budget and actual expenses) and the analyses of gross profits over ten to thirty product groups. By using copies of the previous month's statements altered up by junior staff to provide the draft for

the next period, and other similar procedures, the cost of senior accountants' time can be kept low. In some cases, typed stencils may be prepared but in smaller companies, manuscript fair copies on pre-typed forms could be photo-copied.

It takes eighteen months to two years to make a system of management accounts fully effective, but once they are accepted and junior management see that their efforts can be shown in £ s d, they soon become avid users of these tools. One word of warning, however – the accounts department will have to tighten up on expense allocations if the accountant wants to avoid the slings and arrows of outraged foremen.

The Vagaries of Bank rate

by R. ROBERT, A.C.I.S.

WHEN, on November 18th, the Government announced its decision to devalue the £, it threw in for good measure an 8 per cent Bank rate – the biggest deterrent to borrowing Britain has known for over fifty years. The object of imposing such a punitive rate was presumably twofold: to inhibit the nation's Christmas spending, and to tempt back some of the 'hot money' whose withdrawal had helped to precipitate the crisis. Bank rate, whether it stays for a longer or shorter period, has undoubtedly obtruded itself on public notice and the time has, perhaps, come to remind ourselves what it is all about.

For the roots of Bank rate we must go back to the early eighteenth century. The Bank of England in 1708 – when it was, of course, a private institution – was placed in a powerful position by an Act of Parliament which gave it a monopoly of joint-stock banking. This privileged position it continued to enjoy for over a hundred years. Further, because of the special relationship between it and the State, its monetary policies began to affect the British economy at many key points.

In particular, the rate charged by the Bank for loans tended to dictate interest rates in general, and the pattern thus established has persisted to the present day.

A means of control

To the question often asked by the uninitiated, 'What exactly is Bank rate?' there is the standard textbook reply – Bank rate is technically defined as 'the advertised minimum rate at which the Bank of England will discount Treasury Bills and approved bills of exchange'.

As the 8 per cent imposed in November has reminded us, it remains – despite all the other instru-

ments at the State's disposal – a useful method of controlling the economy: stimulating it or putting on the brakes as thought by the Government to be necessary. Though Bank rate in the 1960s is not the most important of the economic regulators, one thing is undeniable: it immediately affects the rates that other banks charge on loans and allow on deposits. Whatever Bank rate is, overdrafts, for example, will be $\frac{1}{2}$ to 1 per cent higher.

Another question often asked by a puzzled public is: 'Who actually determines Bank rate?' Technically it is decided by the Court of Directors of the Bank of England – with the Chancellor of the Exchequer's approval. While November 18th was an exception, by established custom it is announced to a waiting world on Thursday of each week, among the first to receive the important news being the jobbers and brokers on the London Stock Exchange. Normally, at about 11.45 a.m., the Government broker arrives with the information that Bank rate has been raised, or lowered, or left unchanged. Business on the floor of the House may, in specially dramatic circumstances, actually be suspended while every eye is fixed on one of the four Bank rate indicators.

Within minutes of the directors' decision, the news will be flashed all over the country, and to the far corners of the world.

1949 and all that . . .

Though Bank rate has been used for some two hundred and fifty years as a monetary control, earlier in the present century it fell into comparative neglect. For two decades, beginning in 1931 when there was an economic crisis that forced Britain off the gold

standard, until 1951 when a Conservative Government took over from Labour, Bank rate ceased to be one of the levers that were immediately seized when something went wrong or wanted putting right.

In the years prior to the outbreak of the Second World War it was kept low – remaining unchanged between 1933 and 1938 at a steady 2 per cent – with a view to encouraging investment and easing the depression. After the war, a low Bank rate was part of Mr Hugh Dalton's and Sir Stafford Cripps's deliberate 'cheap money policy', designed to help a badly-strained economy back on its feet. The extraordinary thing is that Bank rate stood at only 2 per cent at the time of the 1949 devaluation. Two per cent had, in fact, been the rate throughout the war and the post-war period when Labour was in office.

Despite all the alarms and excursions of the 1949 devaluation, not until November 8th, 1951, was the rate increased to 2½ per cent.

Bank rate tribunal

The Conservative Government elected in that year restored Bank rate to something like its traditional role and used it freely, particularly in the early sixties, in connection with the policy of 'stop-go'. On September 19th, 1957, after the Suez crises, Bank rate shot up to 7 per cent, setting a precedent that has been followed on three occasions since – in July 1961, November 1964 and July 1966. Today's psychedelic 8 per cent does not appear to have any precedent at all – at least, in the twentieth century. Eight per cent in earlier times may not have been considered unduly high. Indeed, probing back into the Old Lady's lurid past, we find that the original 'subscribers' of 1694 were paid interest at 8 per cent. What then must the rate to borrowers have been?

A unique episode in the history of Bank rate occurred in 1957 when the swingeing rate of 7 per cent was applied – for the first time since April 1920 – to cope with the current financial crisis. Transactions entered into by certain merchant banks and a large insurance company raised the suspicion that information concerning the imminent change had been 'leaked'. A Bank rate Tribunal, under the chairmanship of Lord Chief Justice Parker, was therefore set up to inquire into the truth or otherwise of the allegations.

Four part-time directors of the Bank of England who had also acted as directors of the other institutions were involved. However, the tribunal exonerated them and so the affair ended with a whimper rather than a bang.

Fluctuations

In the *Stock Exchange Year Book* there is a list of changes in Bank rate since 1878, a glance at which can be most instructive. Between that year and 1900, the lowest rate was 2 per cent. The highest rate was 6 per cent – and that only on four occasions and for brief periods. A 7 per cent Bank rate, imposed four times

since Suez, was a rarity earlier in the century. Only twice did it rear its ugly head: on November 7th, 1907, a year of labour troubles, and again on April 15th, 1920, when a post-war slump threatened.

The all-time record was attained on August 1st, 1914, just before the First World War broke out. Bank rate then soared to 10 per cent! That, however, was a little too much like Alice in Wonderland and it came down to a sober 6 per cent five days later.

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'

Esso Petroleum Co Ltd v. Minister of Labour

In the High Court of Justice – (Queen's Bench Division) November 1st, 1967

(Before the Lord Chief Justice (Lord PARKER OF WADDINGTON), Lord Justice SALMON and Mr Justice WIDGERY)

Selective employment tax – Refund – Petrol depot at airport – Whether part of activity of airport – Whether sale of goods – Selective Employment Payments Act 1966, sections 2, 10, minimum list heading 706.

The company has a petrol depot on land leased for twenty-one years and within the boundary of Manchester Airport. The depot is concerned with the storing of petrol and with distributing it to aircraft. There is a series of pipes from the depot to hydrants at each loading bay at which aircraft draw up. At each hydrant the oil is pumped from the pipes into the aircraft by vehicles from the depot. The airport could not function without refuelling facilities. There were twenty-five employees in the depot, and sixteen were engaged in refuelling.

It was contended for the company that the activity carried on at the depot was an integral part of the activity of operating an airport, and, accordingly, qualified under minimum list heading 706. The Industrial Tribunal decided that the depot was merely carrying on a service for those operating the airport, and that the activity was a non-qualifying one.

Held: the activities of the depot were by way of the sale of goods; and that as more than half the depot employees were so engaged, the depot's activities were non-qualifying activities.

A PARIS CONGRESS PAPER

The Accountant's Contribution to the Solution of Economic Problems at Government Level

by A. L. IMRIE, C.B.E., C.A., F.I.M.T.A., City Chamberlain of Edinburgh

IN a modern industrial welfare state, economic decisions are as numerous as stars in a galaxy and diverse are the remedies prescribed for the curing of economic ills. Political economy is inherent in the life and work of the people who seek for themselves opportunity to earn congenial and improving livelihoods, enjoy peace and contentment, develop the talents with which they are endowed, and live in freedom and solvency. These aspirations are the whole business of the nation, and it is the concern of the Government, as national democratic overlord, to make those arrangements, economic and social, which conduce to the accomplishment of these ends.

Because all persons do not think alike there are differences of opinion – and probably more in economics, which many look upon as an obscure arcane science, than in any other department of human thought. The elementary truths of national housekeeping are not too difficult to understand; it is the abstruse projections of the pundits which are beyond the reach of us ordinary mortals. Accountants spend their lives in monetary transactions and, since money is the handmaid of economics, there are grains of truth in the proposition that accountants are, in some way, practising economists.

It is averred that in places in British industry there is inertial conservatism and innate resistance to change – inhibiting factors which must be removed so that no vestige remains. The innovators must be given opportunity if a new dynamism is to revivify industry. It is not true to say that everywhere Britain is laggard. There are many remarkable achievements to record since the days of Watt's steam engine, among them radar, jet engines, nuclear power stations, the Forth Road Bridge, and penicillin.

Matter for concern

Nevertheless, in the matter of economic growth, the position of Britain is one for concern to us who dwell in these sea-girt islands, where there cling in some places the industry and thought of an age gone by. In income per head the United States could not help but outrun the separate small countries of Europe, a fact of life with which the rest of the world has been living for many years. Now, however, for their salvation the countries of Western Europe have combined in integrative groupings – the European Economic Community and the European Free Trade Area.

According to official figures for the decade to 1963, the

Community countries attained an annual average growth rate of 5.4 per cent. The Free Trade Area countries attained 3.4 per cent; Sweden with its large product taking first place with 4 per cent, and Britain lagging at 2.8 per cent. Subsequently it was reported that Britain attained 4 per cent in 1964, but the writing remains upon the wall.

There was a day when Britain was the workshop of the world and ruled the oceanic billows but no longer does the proud heritage suffice, nor does it confer any entitlement. Dreaming of past glories is a nostalgic pastime, but is not for the waking hours of those who work in factory, dock, office or laboratory. Britain will maintain her position among the leading nations. It is for everyone in confident unity – the Government, industry, trade unions and the professions – to energize the economy; a work in which accountants are in a position notably to contribute some of the thinking and force.

Controversial problems

Controversies have raged about the magnitude of the aircraft industry in the economy of Britain. World ship-building capacity exceeds demand. Workers in shrinking industries fear redundancy and unemployment. Workers are worried about computers and automated production. A newspaper commented editorially that taxation in Britain takes a higher proportion of income than in other modern countries, but rejected as nonsense the argument that the welfare state is the chief cause, other countries enjoying better social benefits at less cost. These are the kinds of economic problems which rippled the minds of those who, anxious to discover the explanations and solutions, selected the title of this paper. They disclose also the insight and judgement required for determining, in a changing world, that use of human and physical resources which will most enhance the nation's economic productivity and social well-being.

Persons of knowledge have the duty of giving their time and skill to the solution of the perplexing problems of a changing economy and the most knowledgeable of them should do so at the highest level, at behest of the Government. No one person can provide all the solutions. The Government does not neglect to consult many persons of many skills in many ways, in civil and municipal service, in associations and boards, advisory groups, working parties, in inquiries and studies and, no doubt, in many other ways. Among them are many accountants.

Certainly as much as any others, accountants can contribute to the improvement and development of the

A paper (somewhat abridged) written for the Ninth International Congress of Accountants held in Paris from September 6th to 13th, at which the author was a national rapporteur.

economy. In a way not so open for other professions, accountancy carries its practitioners into every cranny of the economic structure – in private practice, industry, finance, Government departments and enterprises, and local authorities. They are busy, ubiquitous creatures, popping up everywhere, possessing together vast experience and knowledge, and there are many qualified by attainment to give advice at the summit – to the Government – in its dealings with economic, financial and fiscal affairs.

Nowadays, because of the velocity and complexity of change, there is growing specialization in accountancy. No longer can any one person be the repository of all the knowledge and practices of his profession. Most accountants are expert in chosen fields but few, if any, are ignoramuses in cognate matters which lie beyond the pales of their particular occupations. Although in my ardent youth I spent several years in a professional office, I am sure that as City Chamberlain of Edinburgh I am foremost a municipal financial administrator, recollecting a little the accounts of business and – what is more important – something of economics and the ways of the world. It is my speciality which has carried me into Government committee rooms, there with municipal and civil service brethren to discuss such things as borrowing methods of local authorities, transfer of municipal gas and electricity undertakings to national boards, reformation of Exchequer aid to local authorities, reshaping of local rating, regionalization of water supplies, and structural reorganization of local government. I am sure my professional colleagues of other specialities are called upon no less.

New aims

Accountants, as much as industrialists, must reorientate their aims and methods if they are to meet the insistent needs of the straining times in which we live. The professions must be 'with it', as the young people say, if they are to have the grasp firmly to grip the thorny problems of the new world. The economic organization is the business of the accountant. Growing numbers – many more than half – of members of the accountancy profession are employed in industry and trade where they struggle with management accounting, cost-benefit studies, network analysis, critical paths, discounted cash flows, investment appraisal and electronic computers. They are no longer merely book-keepers, chronicling transactions and producing conventional profit and loss accounts and balance sheets, but are in positions of management, using the tools of management available as products of new thinking and techniques.

Accountants are more numerous in company boardrooms than any other professional men. One in seven of directors of British companies with capital of £5 million and over is an accountant by profession, understanding the nature and working of the economy, the organization of industry, the fiscal and monetary systems, and the structure of social welfare. The learning of these things is a tall order, but this is what the modern world requires from those in positions of control and decision. Those who scale the commanding heights of the economy themselves command ability, knowledge and wisdom.

The practising, financial, management, electronic and cost accountants, the comptrollers and financial directors, can offer much to Government towards solving economic problems, each according to his particular field of endeavour. These are the fields embraced within the widening frontiers – 'the new horizons' of accounting. In an expand-

ing world the pinnacles from which the more distant horizons are surveyed are loftier than ever before.

Accountants are bestirring themselves so that their progeny will be better equipped than are they – from whom, nevertheless, the emergent accountants receive an enviable heritage. I am one of the ancients and have passed, not quite from quills, but from steel pens to keyboard machines, thence to electronic calculators and now to advanced micro-magnetic, miniaturized computers. Such is the alarming speed and nature of change.

Long ago I realized that one begins really to learn when examinations are over, and that only then does one step upon the threshold. It is not before time that accountants have taken up management accounting as a special study, holding courses and awarding diplomas. Accountants have set up management consultancy firms and are members of the Management Consultants Association. The Government has sought the services of the Association in such things as studies of London docks and the machine tool industry.

Management studies are of urgent importance to accountants, who always have been aware of the supreme importance of efficient industrial management. The National Plan said:

'As the industrial structure becomes more rationalized, the need and opportunities for specialized management expertise will become greater. The Government are anxious to increase the number of professional trained managers in control of industry and commerce. Those engaged in industry and commerce, which are the main-spring of the life and prosperity of the nation, should be able to earn professional standing for themselves. The Government intends to approach the main institutions concerned with the improvement of management to see whether the time is ripe to put their membership on a more professional basis.'

The accountancy bodies are conversant with the trends of the times and will so arrange their preparation and training as to seize the opportunity for their members in industry worthily to become the *élite* of industrial administration. I am convinced that, in all large establishments, management will rest more and more on central information, research, financial, accounting departments using the managerial instruments which science and research provide. This I can see in my own sphere of local government which administers numerous services, from water supplies and highways to schools, dwelling-houses, and domiciliary nursing services. It is no wonder accountants are bestirring themselves.

Disciplined minds

I, who am in a fine position to judge, am impressed by the excellent quality of Civil Servants who hold high places of administrative authority in the central departments of State. Few are professional persons in the sense of being accountants or lawyers. They are academics of proved intellectual talent, possessing disciplined organized minds, able clearly to discern the essential factors in the problems which shower upon their desks. Accountants, if they are to reach the highest places in industry and elsewhere, must have minds of comparable capacity. This, I am sure, many of them do because no one calling possesses all the best people.

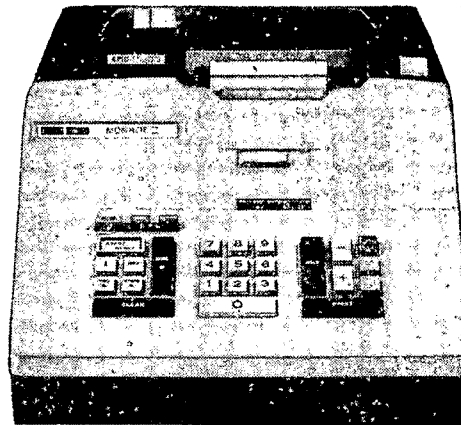
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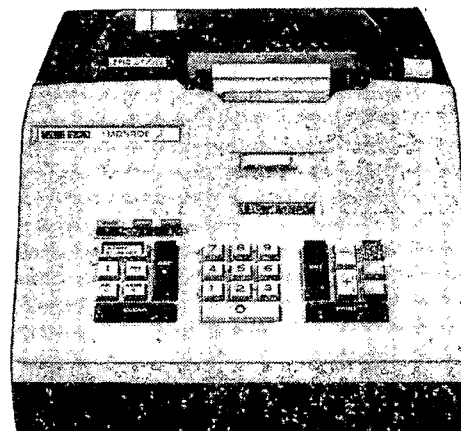
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One must, of course, have a head for giddy heights. Among the innumerable accountants who have scaled the heights are the chairmen or managing directors of British Petroleum, Electricity Council, Midland Bank, British Oxygen, Steel Company of Wales, Cunard Shipping. The Director-General of the Confederation of British Industry is an accountant. The Government looks to such distinguished accountants for advice in planning the economy.

In economic matters many besetting problems disturb the cranial cells of persons in directory and managerial positions and in places of administrative responsibility in public affairs. It is they who stride along what are called 'the corridors of power'. Accountants who walk as members of their company spend their days in transactions of economic significance and are entitled properly to claim that they are able at least to assist in discovering the solutions to economic problems.

No accountants of quality and perception are so imprisoned within the walls of the counting house that they do not know of the bustling world outside. I, as an accountant of sorts, am content to regard economics simply as the art of exercising choice between many uses of scarce resources. The aim is to make those choices, carefully evaluated and selected, which confer the greatest benefit on industry and the nation. One thing, however, is crystal clear – the greater the sum of resources, the easier becomes the choice.

So it behoves accountants in their multifarious occupations constantly to strive to augment the wealth of the nation. In our lifetime the extraordinary advance in science and technology and the heightened objectives of social responsibility together confront the nation with magnificent opportunities and enormous tasks. These things hold within themselves the means to expand the volume and flow of economic commodities and new and enlarged uses of them. There are so many choices to be made and so many problems to solve that the Government must seek the counsel and assistance of an army of accountants and skilled persons of all kinds.

Promoting efficiency

Industry sustains us all, as economic producers, pater-familias, and beneficiaries of the social services. All the sectors of the economy are interdependent. There are ambitious plans for social betterment. The public sector, both in industry and social welfare, is enlarging. The old industries are waning and new science-based industries arise. Larger quantities of capital equipment are required for the hand of man. Applied science, advancing rapidly, calls for change in industry and adaptability in men. Industry will flourish only if it is modern and enterprising. These are simply the facts of economic life known to everyone of any sense. The economic organization is of prime importance and its structure and performance must be kept constantly under review. The stern agony of choice presses upon the nation. It is easy to recommend change for others, while one struggles to safeguard for oneself cherished privileges and the accustomed way of life. Vested interests will be assailed. Practices, obsolete in the new world, will be discarded. None knows these things better than accountants who, in going about their business, seek to promote efficiency and profitability in industry and trade.

The main source of direction and effort for industrial reformation is the Government. In the British economy, public expenditure is a large part of total expenditure and a

large part of basic industry is undertaken by public bodies. Much of the economic infra-structure is in the hands of public authorities. Nevertheless most manufacturing industry and commerce is private and is largely governed by the market economy. Economic interdependence requires that the Government consider the views of persons of responsibility in the economic organization, and it means also that the Government is frequently the mentor giving guidance and advice.

The Board of Trade, the Department of Economic Affairs, the Ministry of Technology, the Ministry of Power, the National Export Council, the Economic Development Council, the National Board for Prices and Incomes, the Research Development Corporation, Regional Economic Planning Councils, are all concerned with the economy and its expansion. Many accountants are members of Government boards and councils.

Information service

An adequate information service is essential both for the Government and industry. Shortly after the appointment of the Regional Development Councils, the comment was made: 'There is a woeful lack of data. Factual data, essential for effective planning, are not available.' The economy can best be planned only if full relevant information is available. The Statistics of Trade Act empowers Government departments to obtain all the information required concerning the economy. Accountants, going about their daily occupations, can furnish the facts and figures in manner 'authoritative and intelligible', enabling the best derivable answers to be obtained. Professor Morgenstern, author of *The Accuracy of Economic Observations*, lamented that 'Statistics are not always as reliable as they appear to be'. The Institute of Municipal Treasurers and Accountants has established a local government financial information service and an advisory computer panel for the local government of Britain.

No modern State can support a high standard of life and a comprehensive welfare structure if its industrial equipment and organization are obsolescent. The world is in the throes of a new industrial revolution. A thriving and profitable industry – private and public – is requisite, as every Government knows, no matter what its political philosophy. The profits of industry are not evil things because the more expansive industry is, the greater is the wealth of the nation and the larger is the opportunity for modernization and adaptation. If profits are in some way evil then fiscal measures, devised in part by ingenious accountants, can ensure – contrary to what Mark Antony said of men – that the good in them lives on after.

None can gainsay the truth, expressed by many leading persons in positions of authority, that 'one of the great domestic issues is the modernization of industry' even though some still may sigh for the good old days, which somehow seem through dewy eyes to be clothed in grandeur. The standard of living and social security which people desire is not something to be plucked from the sky, but is earned by toil and sweat – human commodities which a great, historic personage called from the people of this land not so long ago. Among those who toil assiduously and sweat profusely are accountants engaged in management. These propositions, however, present to accountants not only a challenge to their mettle, but also an exciting opportunity to assist and advise the Government in procuring economic growth. This they can do best by recognizing the

needs of the times and by discharging their manifold occupational duties to the utmost of their abilities.

The economic aims for Britain are the raising of productivity, the expansion of exports to meet the costs of the imports this tight little industrial country requires, and the manufacture at home of commodities imported from other lands. The internal interdependence of the national economy is matched by the interdependence of the world economy, and the law of comparative cost still applies. As accountants say, for every debit there is a credit, and so all countries cannot always have trading surpluses. The debit countries may tide themselves over the difficult years by a series of devices, but an industrialized country must perforce improve its industry if it is to survive and enjoy the standard of living it desires. Britain must be as efficient as any other. Accountants have an heroic task upon their hands.

In Britain, insufficient investment in labour-saving capacity has led to increases in imports of manufactured goods. If a growth programme is to be achieved, there must be large investment in the electrical, mechanical, engineering, construction and chemical industries. The Government through its agencies, among them the Atomic Energy Authority and the National Research and Development Corporation, and with industrial research associations, seeks to quicken technological advance throughout industry. Economies must be gained in the use of labour by productive investment. Labour redeployment from the old shrinking industries to the new industries is necessary. Coal contends against oil, hydro and nuclear power stations, and soon, natural gas. The natural fibre industries adapt themselves to the rise of synthetic fibres.

Small production units

There are too many production units of small size. The economies of scale are important to competitive efficiency, and the Government has declared its willingness to encourage the rationalization of industry by combinations and mergers which will promote greater efficiency, with larger production at lower costs through standardization and longer runs. The Government intends to strengthen the forces of competition by dealing with restrictive practices. The whole thing reduces to investment for the modernization of industry, lower unit and comparative costs.

There is shortage of skilled manpower. There is imperative need to move labour from the industries whose manpower requirements are diminishing, whether because of the competition of new products or use of labour-saving devices. Computers and automated production lines release labour for other purposes. Labour must be enabled to become more mobile, occupationally and territorially, and to acquire new and higher skills. Labour must not be allowed to languish in idleness.

The best use must be made of the nation's brain power which, in its higher levels, is a scarce commodity. Many jobs are disappearing under the wheels of the scientific juggernaut. But new jobs are being created, and, with man's advancing knowledge and social responsibility, there will be a fuller life for all. Perhaps manpower is the biggest industrial problem, because it is not simply a question of installing new inert machines; it is also a human problem of families, of folk with attachments and cares who grow old and become less able to cope with the strenuous new world.

Many steps have been taken to improve the effectiveness of the labour force, from men on the workshop floor to those who pore over elegant managerial desks. New universities and technical colleges have been established. The Ministry of Labour provides facilities for persons to fit themselves for employment suitable to their age and capacity, provides industrial training boards and centres and operates a youth employment service. From public funds, grants and allowances on generous scale are paid to students, trainees and transferred workers. The Government has established development councils for industry. Employers are required to pay lump sums to employees who become redundant. None knows better than accountants the measurement of productivity per head and the significance of labour costs.

The reduction of imports of manufactured commodities stands prominently in the programme for economic development. An excellent example of what can be achieved by imaginative enterprise is the building of a plant in Scotland for the production of a synthetic product which, until now, has been wholly imported from abroad. This plant will save foreign currency of the order of £6 million a year. The companies jointly concerned have accountants among their directors.

In post-war years there has been a substantial American industrial investment in Scotland. A notable example is the National Cash Register factory, built in Scotland as a result of the Government's powers for location and distribution of industry, efforts by the local authority for the area, and the effective work done by the Scottish Council (Development and Industry) to encourage the expansion and diversification of Scottish industry. A committee of the Council, under the chairmanship of an industrial accountant, has carried out a study of Scotland's natural resources and published a report on the Scottish economy. The chairman of the Council is a practising accountant and director of financial institutions of great economic importance. The chairman of the Council's Export Committee is a distinguished accountant and industrialist.

More exports

The enlargement of exports is, of course, a primary aim of British industry. Many questions ancillary to the business of manufacture are involved. The Government has surveyed the changing geographical and commodity composition of British exports, is undertaking the integration and modernization of docks, has extended the facilities offered by the Export Credit Guarantees Department, and grants financial aid for trade missions, overseas trade fairs and market research. The British National Export Council is extending its activities.

In an article dealing with accountants and exports, the deputy chairman of a large British company suggested that 'the possibilities of marginal costing are not being fully exploited'. A short time ago the president of a chartered accountants' body recommended that accountants learn foreign languages – probably more as an intellectual exercise widening the mind than as aid to exports. However, I am sure that a financial director speaking foreign tongues will enlarge his overseas trade. Accountants must be not only accountants.

Capital investment is the major instrument for reshaping and expanding the economy. In it the exercise of choice is of supreme importance. The better the decisions made in the light of the nation's needs and opportunities, the greater

is the progress and the more rapid the augmentation of the wealth of the nation. Countless decisions are made by innumerable people. It is not simply a matter of choosing one new product or another. There enter into it the location of industry, availability and suitability of labour, saving and spending, the weight and incidence of taxation, fiscal incentives, productive and social outlay, and, by appraisal the determination of the best investment. Nor are the forces of inertia removed by an edict. The fundamental difficulty is that resources are always scarce in relation to demand which nowadays, because of quickening change and inflationary trend, grows enormously. The decisions are selective and in many cases marginal.

Government's role

Government cannot make all the decisions but it can make major decisions, regulate the economy, operate industrial undertakings, determine the scale of social institutions and welfare schemes, fix taxation and set out plans for economic advance. The intrusion of Government into the economy and the erection of a great edifice of social welfare are remarkable features of the nation's structural growth and adaptation since the beginning of the century. There is no wonderland insulated from troubles which torment the economy. Economic decisions are impingent and made in all sectors of the national organization. A company decision to build a car factory in a rural area is dependent upon a local authority decision to build roads and provide water supplies. The Government and local authorities, in their many activities and as providers of much of the economic apparatus, make many decisions from the crowding, competing claims on economic resources. Government cannot control the economy and its development without accountants.

It is doubtful if there can be an exact measurement of Government participation in economic affairs. All I wish to demonstrate is that the Government, while sustaining the welfare state, is the largest industrialist in Britain, making economic decisions of the kind made in industry by financial directors and accountants. The public sector employs 25 per cent of the labour force; public expenditure takes up 40 per cent of the national product; public capital investment accounts for 45 per cent of the total. These figures, which do not remain the same, disclose the preponderance of the public sector.

It is the Government which must decide the proportion of national income to be applied to capital investment and the parts to be allocated to industry and to social purposes. The collected views of many persons are required in order that plans may be made to ensure that the economy does not flow haphazardly. To the best of the Government's contriving, the flow must be regulated and directed into the most useful channels, and that without drying up the springs of private initiative.

Capital investment is fundamental in national economic management. The Government must find the means to implement the investment programme, whether in its own enterprises or in private industry. Capital investment assuredly is not merely a matter of erecting buildings and installing machines. It may even include an appraisal of the economic value of human and social betterment resulting from welfare provision – quite an interesting cost-benefit study for some accountant somewhere.

Capital investment of the dimension sought can be undertaken only if matched by savings. Savings banks,

building societies, unit trusts, life assurance and superannuation funds are specialized but important parts of the organization of saving. The Finance Corporation for Industry, the Industrial and Commercial Finance Corporation (two of the directors and both general managers of which are accountants), and the Agricultural Mortgage Corporation render beneficial service in providing capital finance. The Government, which promotes investment in Government securities by National Savings Committees, provides local authorities with part of their loan requirements and regulates municipal capital outlay by means of loans sanctions. The Government has instructed nationalized industries to be self-financing for part of their capital outlay. Recent legislation empowered trustees to invest in equity holdings. Of two Scottish banks, the chairman of one and the governor and general manager of the other are accountants. Municipal accountants, with Government officials, are members of the Joint Standing Committee on Local Authority Borrowing.

It is difficult to define in a neat phrase the reasons for the omnipresence of accountants in all sectors and strata of the economy. Like money, which in the economy is the measure of value and means of exchange and which to accountants is gauge and tool and penetrant, accountancy straddles and permeates the economic system. Finance and accountancy are the warp and weft of the fabric of the economy, no matter how many patterns may be woven.

I have reached reluctantly the end of the tether which constrains me. As a City Chamberlain, I have peeped through the narrow apertures of local government at the great world outside. My peeping, nevertheless, has allowed me widely to survey the scene and I have noted that accountants are everywhere, in guises of many shapes and in many pursuits. I am convinced, because of the universality in the economy of accounting, finance and management, that accountants contribute largely to the solution of economic problems, from the smallest business even to Government itself.

POSTSCRIPT

In the course of the remarks he made on presenting his paper at the Congress in Paris, Mr Imrie said:

The paper which I wrote on the wide and evasive subject – the contribution which accountants make to the solution of economic problems at Government level – was drafted more than two years ago. Since then in the United Kingdom, as in other countries also, many changes, in many places, in many ways have taken place. Nevertheless the fragmentary paper still stands as a document relevant to the present day because of its necessary confinement to generalities and selective comment. The fundamental purposes of the economy – which are the enhancement of economic and social well-being by the best use of human and physical resources – remain essentially the same, even though there be change and adaptation of structures and institutions and even though they become, as seemingly always they become, more complicated and more out of reach of the ordinary man's understanding.

Now in the United Kingdom, among other things, there have been imposed corporation tax on companies, tax on

capital gains, levies on gains from land development, selective employment tax, labour redundancy contributions, and extended Exchequer aid to industry in grants and loans and employment payments. The Government has established the Industrial Reorganization Corporation to promote the modernization, rationalization, development, and establishment of industrial enterprises; the services of the Board of Trade and Export Credit Guarantee Department have been extended; the National Budget is being used increasingly as an instrument of economic regulation. An official report has recommended that the Government adopt modern accounting, appraisal and management techniques. The objectives of the National Plan require quantitatively to be amended. These are all Government measures of economic significance. None is more concerned with them than accountants.

The United Kingdom has made application for membership of the European Economic Community, admission to which, if granted, will mean the reorientation of industry and the reformation of the systems of taxation and welfare. So it goes on. All these measures have enlarged the complexity of the work and life of the nation, and all of them require the services of skilled accountants in their many employments for their satisfactory accomplishment.

I expressed the view that the growing intrusion of Government into the economy and the erection of a great edifice of social welfare are remarkable features of the United Kingdom's structural growth and evolution since the beginning of the century. This is no transient phenomenon. The economy of the United Kingdom is firmly a mixed economy with Government participating extensively in the economic organization. The Government, by the instrument of public boards and corporations is the largest industrialist in the United Kingdom.

Accountants' services

I said further that many chairmen, managing directors and directors of large British companies and members of public boards are accountants by profession, understanding the nature and working of the economy, the organization of private and public industry, the fiscal and monetary systems, and the schemes of social welfare. The learning of these things is a tall order, and certainly nowadays the things are more numerous and the order is much taller. The solution of economic problems, even to Government level itself, depends largely on the knowledge and advice of members of the accountancy profession. The modern State could not be created and could not survive without the services of those who are skilled in accountancy, finance, economics, taxation and management.

Many distinguished members of our profession sit rightfully and comfortably at the tables in the committee and consulting rooms of the Government. I have been privileged to spend many enlivening hours at these high tables, I hope wakefully not somnolently, I trust usefully not ineptly, in seeking to improve the arrangement of local government. At the present time I have the honour of being a member of the Royal Commission which is charged with the structural and functional reorganization of local government in Scotland.

So it is, in their special fields of occupational endeavour, with many of our eminent professional brethren who have won distinction for themselves by their able and wise service to the Government and have brought good credit to the profession.

The economic and fiscal measures to which I have referred are only few among many. For their understanding and application it is the accountant who is the specialist to whom the businessman must have resort, and it is upon accountants, in their several specialities, in civil and municipal service, industry and commerce and professional practice, that the Government must depend for their efficient working. Many of the measures are designed primarily to promote industrial production and economic prosperity which sustain the whole nation. So it may be claimed, more than ever before, that accountants in their many pursuits contribute largely to industrial modernization and development, to the solution of economic problems and, by augmentation of the national product, to the betterment of the quality of life. The accountant is indispensable to modern Government and industry.

Specialization

In a recent article in an economic journal, entitled 'The quiet revolution', dealing with the accountancy profession, it was stated:

'Now accountants have carved for themselves important roles in commerce and industry, in national and local government, in banking and investment, as well as continuing to fulfil the traditional functions of auditing and tax consultancy. Accountancy in its various forms has become so specialized that it is doubtful if it is humanly possible fully to be conversant with every aspect.'

The author wrote of 'the emergence of computers and sophisticated management techniques, the volume and complexity of tax legislation, Government assistance to industry, the diminishing proportion of accountants in professional practice'. These words reveal the supremely important place and function of accountants in all sectors of the economy, and the division into more numerous specialities of the widening ambit of the accountancy profession.

I think it is permissible for me, as City Chamberlain of Edinburgh – the historic capital city of the Queen's ancestral realm of Scotland – to say a few words in conclusion about my own professional speciality.

In my paper I said I peeped through the narrow apertures of local government on the great bustling world outside, as if local government was separate from the nation's economy and imprisoned within the walls of a remote ivory tower. This is simply not so. Local government is a large and essential part of the nation's economy, providing much of the economic infrastructure and many of the social and communal services.

Edinburgh administers many services, from water supply, transport, education, highways and planning to weights and measures and registration of voters, even to the Edinburgh Festival. The city corporation has 18,000 employees, an annual outlay of £50 million and an aggregate balance sheet of £300 million. That indeed is big business.

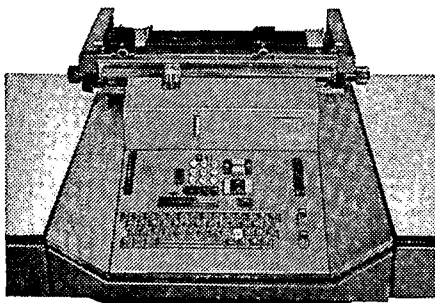
Local government is undergoing radical adaptation in structure and function and in organization and methods. Edinburgh has installed – of course in my department – in place of the old electronic devices, one of the most powerful micro-integrated computers in Scotland. Local government is moving towards integrated management, using modern techniques and controls, so that it may meet the requirements of the demanding new world and serve the nation, and so the Government, to the best of its ability.

December 16th, 1967

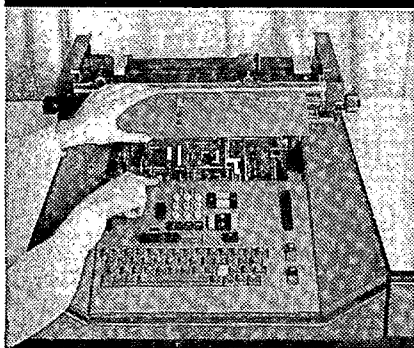
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FEB 71	AK1943 DETAILS	56. 6.7		178. 5.4	3 5 6 1 0.8
FEB 71	AK2196 DETAILS	53 19.4		232. 4.8	4 6 4. 9.4
FEB 71	RT287 DETAILS		56. 6.7	175.18.1	3 5 1 1 6.2
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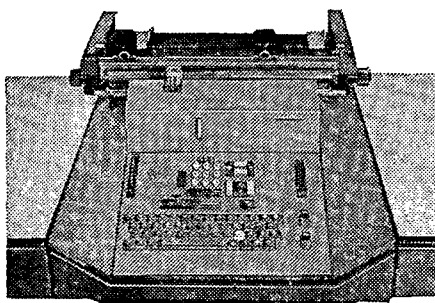
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MAR 71	CS356 DETAILS		417.38.	3.75.8CR	4 1 2 0.4
MAR 71	AL3194 DETAILS	148.72.4		144.99.	2 8 9 9.8
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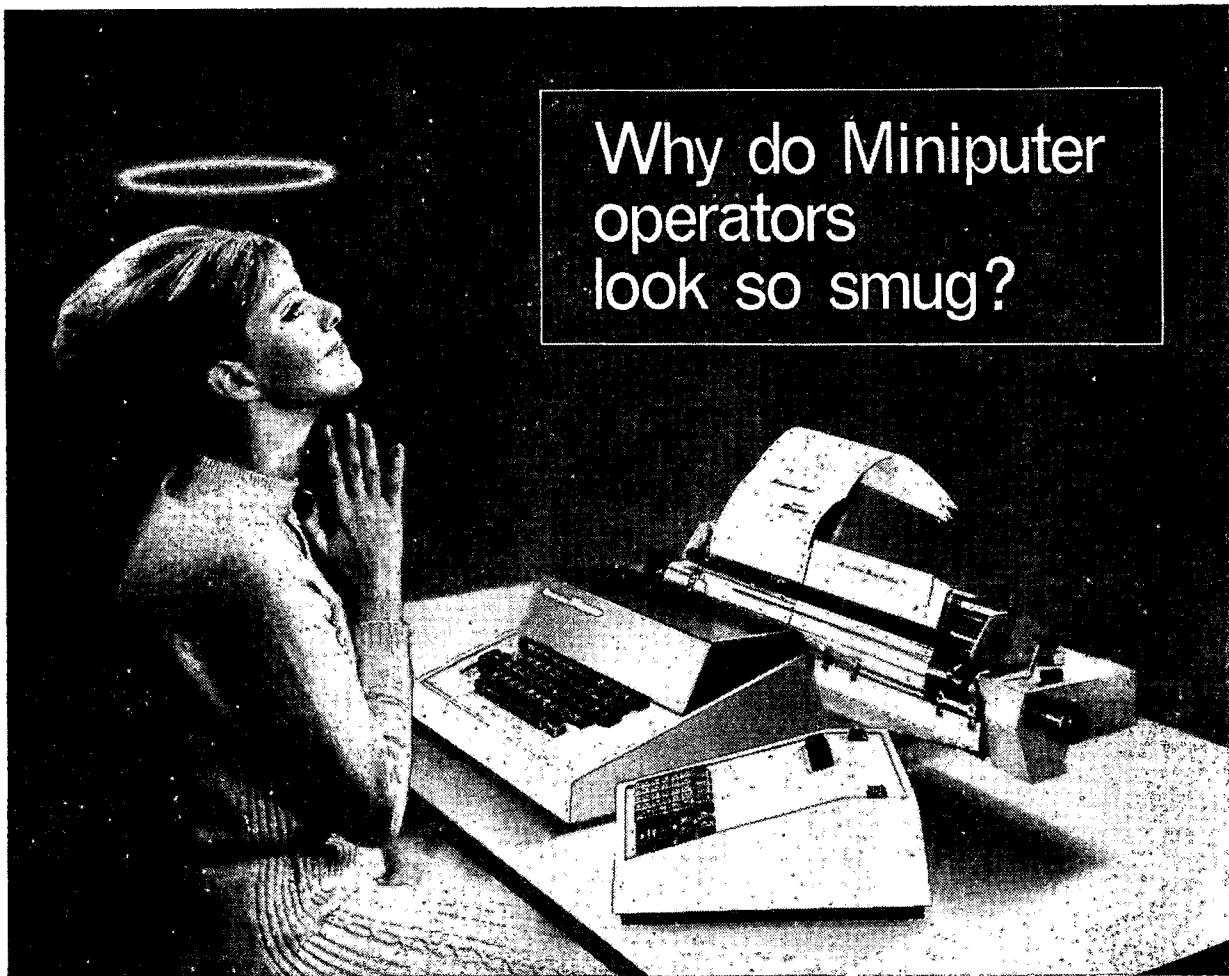
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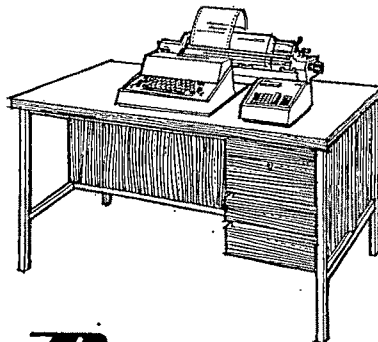
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Reviews

Business Budgeting and Control

Third edition by J. BROOKS HECKERT, C.P.A., and JAMES D. WILSON, C.P.A.

The Ronald Press Company, New York. \$12.

This work originally appeared in 1946 and there was one revision in 1955. The outlines of all three editions are the same; the examination of planning in the various departments of the typical business, from the overall policy plan to the budget and then to the use of the budget for control purposes. As is right, the planning of all other sectors depends on the sales plan, and these follow logically in the book.

The section on working capital requirements deals rather with the additional needs (either temporary or permanent) of an establishment business than with those of a newly-created one, which perhaps is a slight omission from an otherwise comprehensive work. The final section deals with the presentation of the plan by the financial department to the management and by the management (where appropriate) to shareholders and staff, and there is a particularly interesting list of 'Dos and Don'ts' in respect of budgeting policy, organization and preparation. It is also heartening to see the importance given by the authors to distribution costs.

The authors refer to the measurement of efficiency in investment in assets and come down in favour of the D.C.F. method as against the simpler average return on average investment, the payback method or the cash flow method. But in the long run, the most profitable exercise for many in management will be to read the very first section of the book which is the justification of all budgetary control to all those who have never been convinced that they need trouble.

There is no doubt that this is a highly desirable book for the accountant in industry and commerce who is interested in controlling costs and helping management to plan.

Systems Based Independent Audits

by Professor HOWARD F. STETTLER, C.P.A.

Prentice-Hall International, London. 92s.

The author of *Auditing Principles*, which has been widely acknowledged as one of the outstanding recent contributions to the practitioner's bookshelf, has now produced this further major work in the same idiom and which, like Cooper's *Manual of Auditing*, takes another step towards the use of the client's system as the only firm basis for the audit test.

This new work is also notable for its lucidity as well as for treating the relatively new development of statistical sampling in terms which all can understand; a final chapter introduces the more technical complexities of the different methods of such sampling. One of the first lessons the author adduces is that statistical sampling *increases* the probability of detecting fraud.

Flow charts illustrate certain basic systems, while each chapter after the general introductory chapters is divided between a statement as to the system to be examined and a discussion of the audit tests to be applied. Appraisal of the system plays a large part in determining the sampling to be applied, or the confirmation requests to be sent to external sources. Due stress is laid on the importance of verifying the costings employed in evaluating work in progress.

It is hard to fault this book. It commands the attention of every practising accountant and should be not merely on his bookshelf but upon his desk, open and being read.

Alphabetical Guide to Stamp Duties

Edited by J. W. PRYKE.

Butterworth & Co (Publishers) Ltd, London. 15s.

When stamp duty formed part of the Law Society's examination syllabus for qualifying as a solicitor, a textbook used for the purpose was *Nyland on Stamp Duties*. The appendices to that work, which has now been discontinued, included an alphabetical guide. It is that guide which now appears in its own right. The publisher's note observes that the guide is not intended to present the topic as a difficult and technical subject, as sometimes it can be, but rather to provide a handy reference book for solicitors, legal executives, company secretaries and registrars, and others who may be concerned every day with the stamping of documents, or checking to see that they have been properly stamped.

For conveyancers who have to check the correct stamping of sometimes very old documents, all the rates of duties since 1891 are given. There is also a note showing the rate of mortgage duty prevailing at the time, and some useful notes appear about the certificates to be given on share transfers which bear only a 10s stamp. It should be borne in mind that the book went to press before the passing of the Land Commission Act 1967 and the Finance Act 1967, both of which made changes in stamp duties. It is nevertheless a most useful and reasonably priced book.

Heavy Weather Sailing

by K. ADLARD COLES.

Adlard Coles Ltd, London. 75s.

Amongst yachtsmen the name of Adlard Coles is well known, not only in Britain but also abroad, as an author and publisher of many books on sailing. He is probably best known for an admirable series of pilot books covering yacht harbours and anchorages of the Channel and Biscay coasts, which follow a pattern originally set by H. G. Hasler. He has had a lifetime's experience of long-distance cruising and ocean racing and it will come as a surprise to many chartered accountants who sail to learn that Mr Coles is also a member of The Institute of Chartered Accountants in England and Wales.

Over the last fifty years much has been written on yachting in all its aspects, but *Heavy Weather Sailing* is the

first book of its kind. It deals exclusively and at length with the special problems which arise at sea from conditions of gale and storm.

No one seaman, professional or amateur, can wish to have all the practical experience which has contributed to this excellent book. Mr Coles draws partly on his own experiences and partly on those of others, but each chapter contains his own conclusions and he also gives a summary which will be of the greatest value to all seagoing yachtsmen.

One of Mr Coles's suggestions which will cause some discussion is that running at speed down-wind in heavy seas may be safer than heaving-to or lying a-hull. When ocean racing, fully manned, there may be little risk in keeping going as he recommends, but in the case of the average family cruiser, which usually has a light-weight crew, it may become essential to heave-to so that the ship's company can have adequate rest. Bringing a small yacht round in a heavy sea from running before a rising wind can be very unpleasant if it is left too late. It might be said that young families should not be at sea in the kind of weather about which Mr Coles writes but, as many cruising fathers know, this is not a matter of choice.

This book is beautifully produced with many excellent photographs and I strongly recommend it for reading by every sailing man who ventures outside sheltered waters.

Review by Mr John D. Russell, F.C.A.,
a Rear-Commodore of the Royal Yacht Squadron.

RECENT PUBLICATIONS

SILKE ON SOUTH AFRICAN INCOME TAX, fifth edition, by A. S. Silke, M.COM.(First Class Hons.), PH.D.(Cape Town), C.A.(S.A.), A.C.A. xxii+1312 pp. 10×6. R21.50. Juta & Co Ltd, Johannesburg.

ACCOUNTING FOR NON-PROFIT ORGANIZATIONS, by Emerson O. Henke. x+147 pp. 8½×5½. Card cover 20s. Wadsworth Publishing Co Inc., Belmont, California: Prentice-Hall International, London.

THE COMPANIES ACT 1967, by J. A. Franks, LL.M. xiii+128 pp. 8½×5½. 27s 6d card cover. The Solicitors' Law Stationery Society Ltd, London.

HOW TO CUT OFFICE COSTS, by Harold H. Longman. 300 pp. 9½×6. 50s. Anbar Publications Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

Finance and Commerce

Receiver for Royston

APPPOINTMENT of a receiver and manager for Royston Industries Ltd lends particular interest to this week's reprint of the company's 1966-67 accounts. It had been hoped to salvage the company's financial position by selling off a subsidiary but negotiations to that end broke down and it was announced last week that 'In view of the illiquid position of the group, the directors have decided to ask the Norwich Union Life Insurance Society as trustees for the debenture stockholders and Midland Bank to appoint a receiver and manager'. The appointment has gone to Mr R. N. D. Langdon, F.C.A., of Spicer & Pegler, Chartered Accountants.

Associated with this appointment are Keyser Ullman, the merchant bankers, who took over from Hill, Samuel & Co as Royston's financial advisers a month ago. Announcing the board's decision, Mr Eric Summer, Royston's chairman, stated that its effect would be to gain sufficient time to enable suitable investments of the group to be realized on the most favourable terms and without pressure.

Mr Summer stressed that the group was not going into liquidation and that the appointment of a receiver and manager did 'not necessarily reflect on the financial standing of the subsidiaries or on their ability to continue trading'.

'Black Box'

Three years ago the Royston company was making a name for itself in the development of 'MIDAS' - aircraft 'black box' recording equipment. The company's shares were speculatively followed on the stock-market and the price of the 1s shares reached 8s 7½d in terms of the present share capital.

The company invested very heavily in research, development and production on the 'MIDAS' side of the business and acquired a number of companies in the electronics field and also took over the 'Vidor' battery concern. But the breakthrough in the 'MIDAS' business proved elusive and also costly, and as the chairman's comments - reported later in these notes - show, considerable technical difficulties arose at a time when other parts of the group were under pressure, stemming in part from general economic conditions.

Royston losses

The statement by the chairman accompanying the accounts was made 'with the greatest distress'. That was understandable as a glance at the profit and loss account will immediately show. It was all the more distressing for shareholders who received in mid-December 1966 a forecast from Mr Summer of an upward trend in earnings.

This forecast, it may be noted, was made three and a half months before the end of the year. The following table, taken from the chairman's statement, shows both the results he anticipated, based on company budgets, and what was actually realized by the major subsidiaries. The figures

SIX-YEAR FINANCIAL RECORD

	31st March 1962	1963	1964	1965	1966	1967
	£'000s					
PROFITS AND APPROPRIATIONS						
Profits Loss before Taxation	149	228	271	560	654	427
Less: Taxation	24	38	88	267	275	121
Profits Loss after Taxation	125	190	183	293	379	306
Dividends	76	60	69	129	171	57
Pre-acquisition Profits	19	47	—	86	—	—
Minority Interests	7	11	11	—	—	—
Written off Research and Development from Re-serves	—	—	—	150	100	75
Retained/absorbed	23	72	103	72	108	438
	125	190	183	293	379	306

	£'000s					
CAPITAL EMPLOYED						
Share Capital	482	566	792	889	1,010	1,137
Capital Reserves	399	558	1,436	1,948	2,245	2,798
Investment Grants etc.	—	—	—	—	—	182
Revenue Reserves	33	105	208	136	244	194
Deferred Taxation	35	78	87	274	421	160
Loan Capital	—	650	—	815	1,250	1,305
Minority Interests	7	18	29	—	—	31
	956	1,975	2,552	4,062	5,170	5,419

	£'000s					
EMPLOYMENT OF CAPITAL						
Current Assets	807	1,606	2,322	4,020	5,418	6,016
Less: Current Liabilities	311	838	1,244	2,833	3,511	5,151
Net Current Assets	496	768	1,078	1,187	1,907	865
Research and Development	206	368	520	352	526	645
Fixed Assets	254	478	577	1,281	1,458	2,044
Trade Investments	—	—	—	—	23	46
Goodwill	—	361	377	1,242	1,256	1,819
	956	1,975	2,552	4,062	5,170	5,419

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 1967

	£	£	1966 £
SURPLUS OF THE GROUP, before charging items as under, including £237,436 received on sale of trade mark and commutation of foreign royalties	..	..	313,416 1,203,478
Deduct:			
Depreciation	..	..	199,783
Remuneration of Directors of Royston Industries Limited:—	..	..	..
As Directors	..	..	£3,750
As Executives	..	..	35,425
Pension to a former Director	..	..	2,500
	..	..	41,675
Auditors' Remuneration	..	..	10,324
Interest:—			
Bank overdraft and short term indebtedness	..	..	180,630
Medium or Long Term Loan	..	..	88,469
	..	..	269,099
Contributions to Staff Pension Schemes	..	..	34,262
Research and Development Expenditure written off (Note 13)	..	..	185,697
	..	..	740,840
	..	..	427,424
	..	..	653,839 (Profit)

LOSS OF THE GROUP, BEFORE TAXATION ADJUSTMENTS

TAXATION:—			
Corporation Tax	..	..	5,000
Foreign Tax	..	..	3,000
Tax Equalisation Account	..	..	—
	..	..	8,000
Less: Income Tax recoverable and provisions no longer required	..	..	42,270
Transfer from Tax Equalisation Account	..	..	87,000
	..	..	Credit 121,270
	..	..	306,154
	..	..	379,102 (Profit)
Deduct:			
Balance brought forward from the previous Account	..	..	44,360
	..	..	261,794
	..	..	415,224
	..	..	200,000
	..	..	52,226 (net)
	..	..	118,638 (net)
	..	..	170,864
	..	..	370,864 (Deduct)
	..	..	£44,360 (Credit)

DEBIT BALANCE, CARRIED TO BALANCE SHEET (Royston Industries Limited Credit £20,229 1966 £16,012) (Note 12)

The Notes on page 793 form an integral part of these Accounts.

SHARE CAPITAL (Note 1)—		£	£	1966 £
Authorised	.. .. .	£1,600,000	£1,600,000	1966 £
Issued and Fully Paid—				
22,745,494 Ordinary Shares of 1s. each	.. .. .	1,137,275	1,009,688	528,580
SHARE PREMIUM ACCOUNT	.. .. .	2,653,792	2,101,295	729,101
CAPITAL RESERVE (Note 2)	.. .. .	144,135	143,988	86,353
INVESTMENT GRANT RESERVE AND IRISH GOVERNMENT GRANT	.. .. .	181,582	—	83,469
GENERAL RESERVE (Note 3)	.. .. .	125,000	200,000	18,000
PROFIT AND LOSS ACCOUNT DEBIT BALANCE	.. .. .	318,658	44,360	12,676
		3,923,126	3,499,331	1,458,179
LOAN CAPITAL				
7 PER CENT DEBENTURE STOCK 1986/91 (Note 4)	.. .. .	750,000	750,000	1,818,968
7 PER CENT CONVERTIBLE UNSECURED LOAN STOCK 1985 (Note 5)	.. .. .	500,000	500,000	525,518
Mortgage	.. .. .	55,519	—	23,438
		1,305,519	1,250,000	
TAX EQUALISATION ACCOUNT	.. .. .	154,500	241,500	2,603,352
CORPORATION TAX	.. .. .	5,000	179,750	2,141,201
MINORITY INTERESTS	.. .. .	31,007	—	97,520
CURRENT LIABILITIES—				
Bank Overdrafts and Loans (secured)	.. .. .	1,674,069	1,172,309	5,417,846
Creditors and Accrued Expenses	.. .. .	2,178,378	1,591,430	
Acceptance Credits and Bills Payable	.. .. .	1,013,598	556,420	
Taxation	.. .. .	285,418	190,519	
		5,151,463	3,510,678	
		£10,570,615	£8,681,259	
FIXED ASSETS (Note 6)—				
Land and Buildings (Freehold and Long Lease)	.. .. .	717,608	—	717,608
Plant and Machinery, etc.	.. .. .	1,539,067	474,149	1,064,918
Transport	.. .. .	173,841	75,198	98,643
Expenditure on Leasehold Premises	.. .. .	154,769	28,111	126,658
Midas System Rights	.. .. .	18,000	—	18,000
Patents and Licences	.. .. .	24,982	6,369	18,613
		£2,628,267	£583,827	2,044,449
GOODWILL ARISING ON CONSOLIDATION	.. .. .			1,818,968
RESEARCH, DEVELOPMENT AND SALES PROMOTION EXPENDITURE, less amounts written off (Note 13)	.. .. .			645,011
TRADE INVESTMENTS, at Cost (Note 10)	.. .. .			45,997
CURRENT ASSETS—				
Stocks and Work-in-Progress, at the lower of cost and net realisable value	.. .. .		3,195,772	2,603,352
Debtors and Prepayments (Note 11)	.. .. .		2,543,450	2,141,201
Income Tax Recoverable	.. .. .		79,900	97,520
Bank Balances and Cash	.. .. .		197,077	575,773
				6,016,199
				5,417,846
				£8,681,259

The Notes on page [793] form an integral part of these Accounts.

do not include group charges of about £150,000 including bank interest:

Name of company	Budgeted profit for second six months £000s	Actual £000s	Difference £000s
Vidor/Burndept ..	193	-90	-283
Precision Electronic Terminations ..	47	+44	-3
Burndept Electronics ..	31	-8	-39
Royston Instruments ..	-45	-347	-302
Nickols Automatics ..	101	+73	-28
Royston Engineering Co ..	-18	-39	-21
Ratcliffe Tool Co ..	-10	-32	-22
Scientific Furnishings ..	54	+4	-50
Jennings Musical Industries	-3	-9	-6
	<u>+£350</u>	<u>-£404</u>	<u>-£754</u>

Obviously the two biggest areas of difference were in the Vidor/Burndept battery companies and in Royston Instru-

ments. Mr Summer goes into the reasons for the heavy losses in considerable detail.

Wholly unexpected

In the case of Vidor/Burndept, hopes of considerable business in manufacturing special purpose plant and equipment for battery factories abroad fell down and quite apart from rising battery production costs, sales late in the year dropped on a 'scale which was wholly unexpected', and this resulted in a difference of nearly £300,000 in profit expectation.

In Royston Instruments, difficulty was experienced with special 'MIDAS' equipment developed for France. Special multi-channel magnetic recording heads proved defective, the suppliers were in financial difficulties and the whole consignment had to be written off and replacements ordered elsewhere. The alternative product, however, differed excessively from the original and that involved redesign of other components. However, the customer's goodwill was maintained and the order book for this equipment is said to be good.

Comments on the performance of other subsidiaries turned

ROYSTON INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS.

1. Share Capital of Royston Industries Limited

The authorised capital was increased, on the 3rd August, 1966, by the creation of seven million additional Ordinary Shares of 1s. each, with a nominal value of £350,000. A total of 2,551,740 shares were issued during the year (nominal value £127,587) in connection with the acquisition of Ratcliffe Tool Co. Ltd. and Scientific Furnishings Ltd. The premium on these issues, less expenses of issue, has been added to the Share Premium Account.

2. Capital Reserve

The Capital Reserve in the Parent Company has been reduced by the excess of the valuation placed on certain freehold properties over their realised price on sale amounting to £798. A local council grant of £945 made to a subsidiary company has been added.

3. General Reserve

The movement on this account has been as under:

Balance, 31st March, 1966	£200,000
Deduct:	
Amount applied in writing down Research, Development and Sales Promotion Expenditure	75,000
Balance, 31st March, 1967	<u>£125,000</u>

4. 7 per cent. Debenture Stock 1986/91

The stock, which is secured on the assets of the parent company and of the principal subsidiary companies, is repayable at the Company's option at any time after the 30th September, 1986 and in any case by the 30th September, 1991, in accordance with the terms of the Trust Deed.

5. 7 per cent. Convertible Unsecured Loan Stock, 1985

The stock (so far as not previously purchased, redeemed or converted) is repayable at par, together with accrued interest, on 31st March, 1985. It may be converted into fully paid Ordinary Shares in the Company in 1967 at the rate of one Ordinary Share of 1s. for 7s. 6d. nominal amount of stock and in 1968 at the rate of one such share for 8s. nominal amount of stock, in accordance with the terms of the Trust Deed.

6. Fixed Assets

(i) The Gross Book Amount of these assets is:—

(a) Independent valuations in 1956 and 1965,
or (b) Directors' Valuation at 31st March, 1963 (Battery Making Plant),
or (c) Cost.

(ii) No depreciation has been provided on Land and Buildings (Freehold and Long Lease) or Midas System Rights.

(iii) Machinery and Transport costing £381,593 (Parent Company £42,245) is subject to Hire Purchase Agreements on which £190,404 (Parent Company £15,376) is outstanding.

7. Capital Expenditure

Outstanding contracts for capital expenditure are estimated at £102,000 for the Group (Parent Company £10,000).

8. Option on Shares in Unilab Limited

The vendors of 90 per cent. of the shares in this company have an option to re-purchase up to 14 per cent. of the issued capital (700 shares) at a price equivalent to their cost to Scientific Furnishings Limited (£4 per share). This option expires in 1969.

9. Preference Dividend Arrears—Subsidiary Company

Arrears of dividend on the 7 per cent. Redeemable Preference Shares in Ratcliffe Tool Co. Ltd., held outside the group, amount to £6,300.

10. Trade Investments—Associated Company in South Africa.

There was a liability for a call on unpaid capital of £6,696, subsequently paid.

11. Debtors and Prepayments

The payment of a debt of £29,980 due by an overseas customer has been delayed by restrictions imposed by a foreign government. The Directors believe that this sum will be recovered, and therefore no provision has been made against the debt.

12. Royston Industries Limited—Profit and Loss Account

The sum dealt with in the accounts of the parent company was £61,081 (1966 £171,129) i.e.:

	£	£
Dividends from Subsidiary Companies in respect of prior years' profits	26,000	
Tax recovery	41,478	
	<u>67,478</u>	
Less: Trading Loss after management charges and subventions	6,397	
		61,081
Add: Balance brought forward at 1st April, 1966		16,012
		<u>77,093</u>
Deduct: Interim Dividend paid		56,864
Balance carried forward		<u>£20,229</u>

13. Research Development and Sales Promotion Expenditure

Balance, brought forward at 1st April, 1966	£525,518
Add:	
Expenditure incurred in the year	380,190
	<u>905,708</u>
Deduct:	
Amount written off in Consolidated Profit and Loss Account	£185,697
Amount written off from General Reserve	75,000
	<u>260,697</u>
Balance, carried forward at 31st March, 1967	<u>£645,011</u>

mainly on the impact of general economic conditions on the consumer industries. Burndept Electronics fared badly because it is a large subcontractor to Jennings Musical Industries which 'suffered a severe loss of turnover'. The 'credit squeeze' hit Nickols Automatics, which is concerned with machine tools, and also Royston Engineering which manufactures equipment for Nickols.

Current year loss

Ratcliffe Tool Co, purchased last year, had to cease production because manufactured equipment proved unsatisfactory and had to be scrapped. The position has since improved. Scientific Furnishings, added to the group in July 1966, with a profit forecast of over £150,000, failed to meet that forecast and 'a large sum' has been repaid by the vendors.

Inevitably this pressure on the group led to a substantial rise in bank and other borrowing and, when the preliminary figures were issued, shareholders (who had their dividend left at the 5 per cent interim) were told that the possibility of a rights issue to raise £800,000 was being considered. Realism prevailed, however, and in his statement with the accounts the chairman said that 'negotiations are well advanced for the sale of the shares of an appropriate subsidiary' and as a result the company would 'receive a sum in excess of £1½ million of cash'.

When negotiations for this sale broke down it became clear that an even more realistic view of the company's position had to be taken. The appointment of a receiver and manager was announced the day before the annual meeting.

CITY NOTES

IT has taken the stock-market longer to settle down since devaluation than is usually the case after a major economic event. One reason is that devaluation was followed by the obvious French fighting patrol launched against the dollar, and another, the doubts about the strength of the Government's economic policy.

The dollar skirmish may be spent, but the economic policy doubts remain. They concern, in particular, the strength of a permissive Home Secretary turned, apparently, Iron Chancellor.

The stock-market seems now to have left off guessing and getting excited. But the investment accent is still on ordinary shares. Equities, as one stockbroking firm has opined, are the worst form of investment except for all the others.

That may be cynical but it adequately sums up the current investment mood. Next year is hardly likely to prove the same equity bonanza as this, but if there are doubts about Government economic policy, then sharing those doubts with front rank equities is one way of easing them.

It is fair to view the fixed interest end of the market in terms of potentially lower Bank rate and therefore of price stability. But the majority of stock-market operators are concerned with capital growth rather than with stability

and they are prepared to ride out some possibly poor equity weather for a short while, confident that the growth trade winds will blow in time.

* * * * *

MARTINS Bank's chairman, Sir Cuthbert Clegg, has finally admitted what the City and particularly the stock-market has believed for a considerable time, and more persistently for the past two months, that the Bank is considering merger possibilities. By announcing the fact in an extremely defensive statement, Sir Cuthbert has answered the main question but has posed a number of supplementaries. But the stock-market view is that a Martins Bank merger will become fact before many months of 1968 are out.

* * * * *

THE Building Societies have been immediately hit by heavy withdrawals following devaluation. And having heavy loan commitments ahead, the Societies have issued a warning about possible mortgage tightness in the New Year. Offering 4½ per cent tax paid against 8 per cent Bank rate and against 7 per cent (and in some cases more) on local authority loans is likely to put some pressure on the building societies. For them, a reduction from the present crisis level of Bank rate cannot come too soon.

RATES AND PRICES

Closing prices, Tuesday, December 12th, 1967

Tax Reserve Certificates (29/11/67): Companies 4½%; 3% surrendered for cash; Personal 4%

Bank Rate				Foreign Exchanges			
June 3, 1965 ..	6%	May 4, 1967 ..	5½%	New York ..	2.40 11/32	Frankfurt ..	9.56 7/8
July 14, 1966 ..	7%	Oct. 19, 1967 ..	6%	Montreal ..	2.59 3/32	Milan ..	1499 1/8
Jan. 26, 1967 ..	6½%	Nov. 9, 1967 ..	6½%	Amsterdam ..	8.64 1/4	Oslo ..	17.16 3/4
Mar. 16, 1967 ..	6%	Nov. 18, 1967 ..	8%	Brussels ..	119.25	Paris ..	11.78 1/16
				Copenhagen ..	17.93	Zürich ..	10.37 1/8
Treasury Bills				Gilt-edged			
Oct. 6 ..	£5 9s 6.65d%	Nov. 10 ..	£6 7s 3.10d%	Consols 4% ..	56 1/2	Funding 6% 1993 ..	86 1/2
Oct. 13 ..	£5 9s 6.39d%	Nov. 17 ..	£6 8s 3.10d%	Consols 2½% ..	34 1/8	Savings 3% 60-70 ..	88 1/8
Oct. 20 ..	£5 14s 6.92d%	Nov. 24 ..	£7 11s 0.82d%	Conversion 3½% ..	49 1/8	Savings 3% 65-75 ..	74 1/8
Oct. 27 ..	£5 14s 6.36d%	Dec. 1 ..	£7 11s 0.31d%	Conversion 5% 1971	92 1/2	Treasury 6½% 1976	97 1/2
Nov. 3 ..	£5 17s 1.93d%	Dec. 8 ..	£7 11s 0.2d%	Conversion 5½% 1974	88 1/8	Treasury 3½% 77-80	73 1/8
				Conversion 6% 1972	94 1/8	Treasury 3½% 79-81	71
Money Rates				Funding 3½% 99-04	53 1/2xd	Treasury 5% 86-89	76 1/8
Day to day ..	6½-7½%	Bank Bills		Funding 4% 60-90	94 1/8	Treasury 5½% 08-12	78 1/8
7 days ..	6½-7½%	2 months ..	7½-7 13/16%	Funding 5½% 78-80	82 1/8	Treasury 2½% ..	35
Fine Trade Bills		3 months ..	7½-7 13/16%	Funding 5½% 82-84	82 1/8xd	Victory 4% ..	96
3 months ..	9-9 1/2%	4 months ..	7½-7 13/16%	Funding 5½% 87-91	83 1/8	War Loan 3½% ..	48 1/2
4 months ..	9-9 1/2%	6 months ..	7½-7 13/16%				
6 months ..	9½-10%						

The Institute of Chartered Accountants in England and Wales

Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, December 6th, 1967, there were present:

Mr W. E. Parker, C.B.E., President, in the Chair; Mr S. Dixon, Deputy-President; Mr R. G. Leach, C.B.E., Vice-President; Messrs J. F. Allan, J. A. Allen, G. R. Appleyard, C. J. M. Bennett, Sir Henry Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, L. H. Clark, D. A. Clarke, R. W. Cox, C. Croxton-Smith, W. G. Densem, P. H. Dobson, S. M. Duncan, J. V. Eastwood, S. Edgcumbe, W. W. Fea, R. W. Foad, G. G. G. Goult, J. P. Grenside, W. Hare, J. S. Heaton, J. A. Jackson, A. W. John, C.B.E., R. O. A. Keel, H. Kirton, T.D., S. Kitchen, R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, S. A. Middleton, D. S. Morpeth, T.D., W. Bertram Nelson, C.B.E., E. J. Newman, S. J. Pears, F. E. Price, C.B.E., D. W. Robertson, L. W. Robson, J. D. Russell, E. C. Sayers, K. J. Sharp, T.D., R. G. Slack, H. G. Smith, A. G. Thomas, D. C. Urry, A. H. Walton, D. N. Walton, A. S. Watson, F. J. Weeks, J. Whitehead, J. C. Montgomery Williams.

Appointment to the Council

Mr Godfrey Broumton Judd, M.A., F.C.A., London, was appointed a member of the Council to fill the vacancy caused by the retirement of Mr E. F. G. Whinney, M.A., F.C.A., London.

The London Gazette

It was reported that members of the Institute may now sign without attestation, and may themselves attest when signed by others, advertisements for *The London Gazette* purporting to be issued in pursuance of statutes (other than changes of names and under section 27, Trustee Act 1925, and section 28, Water Resources Act 1963) or under Orders of Court.

Canadian Institute of Chartered Accountants

The President attended the Annual Meeting of the Canadian Institute of Chartered Accountants held in Toronto from September 24th to

27th, 1967, and was invited to address the plenary opening session.

Instituto Mexicano de Contadores Publicos

The Vice-President attended the Convention held to mark the fiftieth anniversary of the Mexican Institute of Certified Public Accountants (Instituto Mexicano de Contadores Publicos) in Mexico City from October 10th to 15th, 1967.

UEC

Sir Henry Benson, accompanied by Mr C. Evan-Jones (Secretary), attended an informal meeting of the Executive Committee of UEC at Amsterdam on Thursday, November 2nd, 1967.

The President, Sir Henry Benson, and Mr R. McNeil, accompanied by Mr C. Evan-Jones (Secretary), attended a meeting of the Assembly of Delegates of U.E.C. at Amsterdam on Friday, November 3rd, 1967.

Nederlands Instituut van Register-accountants

The President Mr R. McNeil and Mr C. Evan-Jones (Secretary) attended the Accountantsdag of the Nederlands Instituut van Register-accountants at Amsterdam on Saturday, November 4th, 1967.

Collège National des Experts Comptables de Belgique

The President and Secretary attended the Study Day Conference of the Collège National des Experts Comptables de Belgique at Brussels on Saturday, December 2nd, 1967.

Overseas Relations Committee

Mr D. R. P. Baker, A.C.A., was appointed to serve on the Overseas Relations Committee as a co-opted member.

West Bromwich Colleges of Further Education

It was reported that an invitation had been received from the County Borough of West Bromwich for the Institute to appoint a representative to the governing body of the three West Bromwich Colleges of Further Education and that Mr H. G. Pearsall, F.C.A., Smethwick, had been appointed as the Institute's representative.

Examination Results – September 1967

It was reported that the results of the examinations held in September were as follows:

	Passed	Failed	Total
Intermediate	1,380	1,196	2,576

The names of the successful candidates and of those placed in order of merit and awarded prizes were published as a supplement to *Accountancy* for December [and *The Accountant* for November 25th].

Registration of Articles

The Secretary reported the registration of 698 articles of clerkship during October, the total number since January 1st, 1967, being 2,420.

Admission to Membership

The following were admitted to membership of the Institute:

Adetona, Adesupo Rasheed, A.C.A., 1967; c/o Awujale's Office, Ijebu-Ode, Western State, Nigeria.
Ashman, Laurence John, A.C.A., 1967; 783 Wandsworth Road, London SW8.
Ball, David Allan King, B.A., A.C.A., 1967; 23 St Peter's Close, Maney, Sutton Coldfield, Warwicks.
Baptist, Osmond Archibald Taylor, A.C.A., 1967; c/o Bookers Central Services Ltd, 22 Church Street, Georgetown, Guyana.
Bramley, Thomas John, M.A., A.C.A., 1967; 42 Foyle Road, Blackheath, London SE3.
Chidlow, Richard Victor, B.A., A.C.A., 1967; with Leete & Co, 12 York Street, Manchester 2.
Clift, Malcolm John, A.C.A., 1967; 261 Eversholt Street, London NW1.
Combes, Richard George, A.C.A., 1967; 257 Stockingstone Road, Luton, Beds.

Conte, Michael Anthony, A.C.A., 1967; 11 Ursula Street, Bootle 20, Lancs.
 Cremin, Denis James Paul, A.C.A., 1967; 104 Park Road, Hale, Cheshire.
 Davies, John Cunningham, A.C.A., 1967; Hurst Place, Middle Lane, Denbigh.
 Evans, Hugh Warwick, B.COM., A.C.A., 1967; 'Earls Craig', Margerison Road, Ben Rhydding, Ilkley, Yorks.
 Folley, Keith, A.C.A., 1967; 126 Melville Street, Burnley.
 Gers, Desmond Caesar, A.S.A.A., 1953; Douglas Low & Partners, P.O. Box 2820, Johannesburg.
 Harrison, Michael David, B.A., A.C.A., 1967; 'Timbers', Plummers Plain, Horsaam, Sussex.
 Joannides, Costas Christaki, A.C.A., 1967; 24 Leaside Avenue, Muswell Hill, London N10.
 Kiddle, George Charles Oliver, A.C.A., 1967; 'Millers Faggots', Sharnford, near Hinkley, Leicestershire.
 Marsh, Alan, A.C.A., 1967; 131 Wingfield Road, Tupton, Chesterfield.
 Pilgrem, Kevin Michael, B.A., A.C.A., 1967; 29 Petworth Gardens, Thorpe Bay, Essex.
 Raymer, Garth Anthony, A.C.A., 1967; 164 Pershore Road, Evesham, Worcs.
 Shepherd, Brian, A.C.A., 1967; 146 Rockingham Street, Barnsley, Yorks.
 Stephens, John Stuart, B.A., A.C.A., 1967; 'Coppice Lea', Merstham, Surrey.
 Stredwick, Roger John, B.COM., A.C.A., 1967; 30 Barnfield Road, Torquay, Devon.
 Taylor, Michael John, B.A., A.C.A., 1967; 9 Parsonsfield Road, Banstead, Surrey.
 Toomer, Colin Evans, B.SC.(ECON.), A.C.A., 1967; 41 Bourneville Road, Whitehall, Bristol 5.

Fellowship

The Council acceded to applications from fourteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Members Becoming Chartered Accountants

The Council acceded to applications from the following incorporated accountant members to become chartered accountants under bye-laws 128 or 129:

Bladon, Sydney Harold, F.C.A., Hereford.
 Gers, Desmond Caesar, A.C.A., Johannesburg, South Africa.
 Rahman, Muhammad Masihur, F.C.A., Dacca, Pakistan.
 Scotchmer, David William, A.C.A., Nairobi, Kenya.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Ainsworth, Allan, F.C.A., 1953; 19 Willow Road, Finchfield, Wolverhampton, Staffs.

Barnes, David Chapman, A.C.A., 1967; Harold Barnes & Son, 12 John Street, Sunderland, County Durham.
 Batters, Royce, A.C.A., 1962; Appleby & Wood, Lancashire House, 47 Peter Street, Manchester 2.
 Benson, John Anthony, A.C.A., 1957; Rodger Smith & Co, 10 Richmond Terrace, Blackburn.
 Brett, John, A.C.A., 1965; Lovewell Blake & Co, 71 The Close, Norwich, Norfolk, NOR 16P.
 Burke, Harold Max, A.C.A., 1965; 18 Uplands Court, The Green, London N21.
 Caddy, Jonathan, A.C.A., 1962; T. G. C. Hendy & Co, 84 Guildhall Street, Bury St Edmunds, Suffolk.
 Cheetham, John Buchanan, A.C.A., 1963; Brodie, Gibson & Co, 17 Wright Street, Hull Yorks.
 Cheyne, John David, A.C.A., 1959; *Arthur Young & Company, Piazza Diaz 1, Milan, Italy.
 Cronin, John, F.C.A., 1952; 29 Norfolk Street, Sunderland, Co Durham.
 Davies, David, B.A.(ECON.), A.C.A., 1963; Alban & Lamb, Barclays Bank Chambers, Newport, Mon.
 Dickens, Roy William, A.C.A., 1958; Stewart, Fletcher & Barrett, Manor Court Chambers, 126 Manor Court Road, Nuneaton, Warwicks.
 Dowson, Peter Lewis, A.C.A., 1957; Appleby & Wood, Victoria House, Southampton Row, London WC1.
 Doxey, Peter, A.C.A., 1958; Abbott & Co, 40 Cannon Street, Preston, PR1 3NT.
 Everett, William Thomas Henry, A.C.A., 1967; Hubbart, Durose & Pain, P.O. Box 33, 18 Park Row, Nottingham.
 Finding, Michael John, A.C.A., 1967; Butterworth, Jones & Co, 80 Oxford Street, Burnham-on-Sea, Somerset.
 Frank, Reginald John, A.C.A., 1957; Price, Waterhouse & Co, P.O. Box 164, ABN Building, Singapore 1.
 Freedman, Jerome David, A.C.A., 1959; †Armitage & Norton, Gillett House, Basinghall Street, London EC2.
 Goldstein, Anton Raymond, A.C.A., 1967; 33 Northiam, Woodside Park, London N12.
 Hampson, Michael, A.C.A., 1960; Freeman, Hampson & Stanton, 33 Market Place, Longridge, Preston, PR3 3RR.
 Hatter, Kenneth Cyril, F.C.A., 1951; J. V. Couzens, 3 Victoria Crescent, Bradford Road Junction, Portsmouth.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked †, †† or * are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of Chartered Accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of Chartered Accountants in Great Britain and Ireland.

Heron, John Michael, B.COM., A.C.A., 1967; Lithgow, Nelson & Co, Derby Square, Liverpool 2.
 Hoar, John Winlo, A.C.A., 1963; 10 Hollybush Lane, Sevenoaks, Kent.
 Kaplan, Basil, A.C.A., 1960; *H. S. Musikanth, Cohen & Fine, P.O. Box 2817, Cape Town, South Africa.
 Kenney, Charles Howard, F.C.A., 1953; †McClelland, Moores & Co, Norwich Union House, 18-24 High Street, Bristol 1.
 Kingham, John Dyson, A.C.A., 1966; 2 Whitehill Cottages, Butterfield Green Road, Stopsley, Luton, Beds.
 Langrish, Christopher John, A.C.A., 1958; Shipley, Blackburn, Sutton & Co, 52-53 Jermyn Street, London SW1.
 Lansdale, Barrie, A.C.A., 1965; *W. D. Burlinson & Co, West Park Chambers, West Park Street, Dewsbury.
 Lawrence, Keith Barry, A.C.A., 1967; 19 The Gallop, Sutton, Surrey.
 Lowe, William Ian, A.C.A., 1958; *Arthur Young & Company, Piazza Diaz 1, Milan, Italy.
 Lyle, Roger Bowden, A.C.A., 1961; Shipley, Blackburn, Sutton & Co, 52-53 Jermyn Street, London SW1.
 Mayne, Richard Joseph, F.C.A., 1949; 65A High Street, Banbury, Oxon.
 Mellis, Brian Raymond, A.C.A., 1966; Leonard Curtis & Co, 13 Wimpole Street, London W1.
 Moss, David Harold, A.C.A., 1967; David H. Moss & Co, Midland Bank House, 26 Cross Street, Manchester 2.
 Mozley, Eric, F.C.A., 1943; Sansom, Bell & Co, 7 Victoria Road, Darlington, Co. Durham.
 Norland, Christopher Charles, A.C.A., 1963; Finnie, Ross, Welch & Co, Ralli House, 31 St Paul's Churchyard, London EC4.
 Prattent, Norman Walter, A.C.A., 1963; N. W. Prattent & Co, P.O. Box 863, Blantyre, Malawi.
 Price, Ronald George, A.C.A., 1961; Gardiner Hunter & Co, 31 High Street, Lewes, Sussex.
 Rees, Ralph Phillip Vinson, A.C.A., 1963; †Deloitte, Plender, Griffiths & Co, Midland Bank Chambers, 97-100 Bute Street, Cardiff.
 Richards, Peter Josef, F.C.A., 1949; J. D. Wilson & Co, 29 Clarence Street, Staines, Middlesex.
 Rose, Jeffrey Sydney, A.C.A., 1966; 39 Landsdowne Road, London N17.
 Ross, Alexander Michael Murray, A.C.A., 1962; †Finnie, Ross, Welch & Co, Ralli House, 31 St Paul's Churchyard, London EC4.
 Saunders, Kenneth Cecil, F.C.A., 1952; Richardson, Nutt & Co, St James's Chambers, St James's Street, Derby.
 Scot, Simmonds, David Alan, A.C.A., 1958; Scot Simmonds & Co, The O'Neal Building, Roadtown, Tortola, British Virgin Islands.
 Sharpstone, Stanley, A.C.A., 1966; Leonard Curtis & Co, 13 Wimpole Street, London W1.
 Smith, Peter, A.C.A., 1965; Calvert, Ormerod, Smith & Co, 104 The Mount, York.
 Stather, Cyril, A.C.A., 1960; *Kitson, Hardy & Sharpe, 13 Barstow Square, Wakefield.

Whittingham, John, F.C.A., aS1956; 'Whiteways', First Avenue, Porthill, Newcastle, Staffs.

Re-admission to Membership

Subject to payment of the amounts required by the Council, two former members of the Institute were re-admitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following re-admissions, made at the Council meeting on November 1st, 1967, subject to payment of the amounts required, had become effective:

Malpas, Douglas Wellard, B.A., F.C.A., Bournemouth.
Simmons, Michael Philip, F.C.A., Bournemouth.

Resignations

The Council accepted the resignations from membership of the Institute of:

Hodgson, Peter Henry, B.A., A.C.A., a1957; 68 Elms Road, London SW4.
Longworth, Archibald Arthur, F.C.A., a1920; 175 Avenue Winston Churchill, Brussels (Retired).
Nickson, Frank Iddeson, M.B.E., F.C.A., a1910; 4 Parkway, Blackpool.
Stuart, John Scott, F.C.A., aS1912; 12 Warton Terrace, Newcastle upon Tyne, NE6 5LR (Retired).

and of the following members with effect from December 31st, 1967;

Attygalle, Leon Louis, B.A., F.C.A., a1940; Walawatte, Kesbewa, Ceylon.
Balmford, Andrew Mellor, F.C.A., a1929; Ford Motor Co Ltd, Warley, Brentwood, Essex.
Bouch, John Norman Potts, F.C.A., a1930; Douglas House, Belle Isle Place, Workington.
Bray, William Harry, F.C.A., a1921; 99 Deanhill Court, London SW14 (Retired).
Edmunds, Guy Harry Robert, F.S.A.A., aS1933; P.O. Box 1331, Johannesburg, South Africa.
Layton, John Robert, F.C.A., a1926; Fletcher, Fletcher & Layton, 2 Crown Chambers, Salisbury, Wilts.
Mellersh, Frederick George, M.A., F.C.A., a1922; 'Cowells', One Tree Hill, Guildford, Surrey (Retired).
Melluish, Percy William, F.C.A., a1929; 104 Mostyn Road, Merton Park, London SW19.
Mott, Henry, F.C.A., a1930; Cromden Lodge, Reigate, Surrey.
Romer, Henry Herman, F.C.A., a1926; 23 Doncaster Road, Kirk Sandall, near Doncaster, Yorks.
Simons, George, F.C.A., a1947; 32 Gold Avenue, Pointe Claire, Quebec, Canada.
Toperoff (Miss), Fraida Joy, A.C.A., a1958; 26 Hapalmach Street, Jerusalem, Israel.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Appleton, George Henry, F.C.A., West Kirby.
Allin, Clarence Stuart, F.S.A.A., Quebec.
Barrett, Leslie Brook, F.C.A., Ipswich.
Bridgeman, Robert George, F.C.A., London.
Bridges, Bernard James, B.A., F.C.A., London.
Bull, Stanley William, F.C.A., Alderney, C.I.
Burton, Walter Rupert, F.C.A., Wallingford, Berks.
Colvin, Sidney, F.C.A., Hoylake, Cheshire.
Conway, Frank Edward Kenneth, F.C.A., Bristol.
Earnshaw, Arthur Edwin, F.C.A., Stockport.
Hatfield, Edgar Richard, D.S.O., F.C.A., Sevenoaks, Kent.
Hooper, John Brian, F.C.A., Epsom.
Hughes, Mark Talbot, O.B.E., F.S.A.A., Dorchester.
Lamb, James, F.C.A., Newcastle upon Tyne.
Laycock, Herbert Peter, F.C.A., Leeds.
Leake, Tom, F.C.A., Wigan.

Martin, Horace George, F.C.A., Northwood, Middlesex.
Palmer, George William Harding, F.C.A., Hull.
Parsonage, Leonard William, F.C.A., Craven Arms, Shropshire.
Portlock, Henry F.C.A., Littlehampton.
Roffe, Henry John Ronald, F.C.A., London.
Samuel, Harry Charles, F.C.A., London.
Smith, John Hanson, J.P., F.C.A., Keighley.
Thompson, Lionel, F.C.A., Norwich.
Tibbles, Ronald Charles Goodall, D.F.C., B.COM., F.C.A., London.
Venables, Walter, F.C.A., Worthing.
Vivian, Kenneth, F.C.A., Bridlington.
Wareing, John, F.C.A., Southport.
Whitby, Thomas Frederick, F.C.A., Birmingham.
Wilkins, Craven, F.C.A., Birkenhead.
Williams, David Emrys, J.P., F.C.A., Cardiff.
Wright, Frederick Thomas, F.C.A., London.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on October 31st, 1967

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21 sub-clause (3) of the supplemental Royal Charter in that as sole executor of the will of a deceased person he failed within a reasonable time to provide the accountants to Mrs X (his sister and a beneficiary under the said will) with the documents and

information relating to the estate of the said deceased required by the accountants to deal with the tax and other affairs of the said Mrs X, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint had been proved and the Committee ordered that the member be reprimanded but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

Findings and Decisions of the Disciplinary Committee of the Council of the Institute at hearings held on November 1st, 1967

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Malcolm Keith Higgs, a clerk under articles to a fellow of The Institute of Chartered Accountants in England and Wales, was at Assizes on Monday, July 10th, 1967, convicted on indictment for that on December 7th, 1966, being a witness under a judicial proceeding before a Magistrates' Court in which Mr X was the defendant knowingly falsely swore that on September 17th, 1966, at 3 p.m. he was a passenger in a Bedford van driven by the said Mr X and was fined £50, so as to render himself liable to be declared unfit to become a

member of the Institute or to have the registration of his articles of clerkship suspended for a period not exceeding two years or to be reprimanded or admonished. The Committee found that the formal complaint against Mr Malcolm Keith Higgs, a clerk under articles, had been proved and the Committee ordered that Mr Malcolm Keith Higgs, of 9 Burlington Gardens, Banbury, Oxfordshire, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a fellow of The Institute of Chartered Accountants in England and

Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21 sub-clause (3) of the supplemental Royal Charter in that in a case in the High Court of Justice Chancery Division he was adjudged to have been concerned in a breach of trust in that (a) being a director and also the major shareholder in a private limited company he actively procured and/or concurred in the sale to his brother of certain shares in the said private limited company, which to his own knowledge were held in trust without power in the trustees to sell, at a price which to his own knowledge represented an under-value, to the prejudice of the remaindermen of the said trust (b) being a director of a second private limited company he concurred in the sale to the private limited company referred to in (a) above of certain shares in the said second private limited company which

to his own knowledge were held in trust without power in the trustees to sell, so as to render himself liable to be excluded or suspended from membership of the Institute or to be reprimanded or admonished. The Committee found that the formal complaint

had been proved and the Committee ordered that the member be admonished but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

The Art and Practice of Investment; by W. G. Nursaw: 2nd edition. 1967. (Hutchinson, 35s.)
Betterment Levy; by K. B. Edwards. 1967. (Gee, £1 7s 6d.)
Blackwell's Law of Meetings; by Blackwell: 9th edition by V. Powell-Smith. 1967. (Butterworths, 40s.)
Britain's Invisible Earnings: the report of the committee on invisible exports: (directed) by W. M. Clarke. 1967. (British National Export Council, 45s.)

Business Finance: a management approach; by L. K. Brandt. Englewood Cliffs, New Jersey. 1965. (Prentice-Hall, 80s.)
Comptabilité Analytique et Contrôle de Gestion; by P. Lauzel: 2nd edition. Paris. 1967. (Sirey, 65s.)
The English Legal System; by A. K. R. Kiralfy: 4th edition. 1967. (Sweet & Maxwell, 50s.)
The 5000 and the power tangle; by C. Arnold-Baker. 1967. (John Murray, 25s.)

Auditing with a Computer

London Chartered Accountants' Conference

THE use of the computer in computer audits' was the theme of a day conference held by the London and District Society of Chartered Accountants on December 2nd at the Great Western Royal Hotel, Paddington, under the chairmanship of Mr J. O. Davies, F.C.A., chief internal auditor of the National Coal Board.

Special audit techniques

The introductory lecture was given by Mr A. Pinkney, F.C.A., who explained that 'SPATS' (special audit techniques) need only be used if the computer system suffered from 'CLOAT's' disease (complete lack of audit trail). Nevertheless, auditors ought to start experiments now in the use of 'SPATS' so that they will be able to treat 'CLOAT's' disease with confidence. There were two types of 'SPATS' - test decks and the auditor's own computer program. Whereas test decks merely tested the programs, the auditor's own program could operate on actual data and speedily produce comparisons, make analyses, extract random samples or list exceptional items, all of which

would be either impossible or exceptionally time-consuming by manual methods.

Mr K. S. Williams, F.C.A., of I.C.T. Ltd, then explained some of the problems involved in the auditor writing his own computer programs. Mr Williams started his talk with a brief explanation of the development of computer languages; even with a high-level language such as 'COBOL' which considerably reduced the time necessary to write a program, it was still necessary to test and debug each program, and this was by no means straightforward. Mr Williams then went on to explain that the auditor might be able to save himself considerable time by using manufacturers' software for the purpose of extracting and analysing information kept in computer storage. He illustrated his point with a demonstration of the 'FIND' technique developed by I.C.T.

In the afternoon the discussion groups considered a case study of a stock application presented by Mr B. Jenkins, B.A., A.C.A.; they were invited, firstly, to identify the areas

of concern to the auditor, and secondly, to suggest special audit techniques which might be employed in each area specified. In the following plenary session Mr Jenkins, with the help of his audience, presented an admirable 'model answer' to the study.

'Auditape'

The conference concluded with a lecture by Mr B. G. Blackburn, A.C.A., on future developments in this field, with particular reference to the 'Auditape' which has been developed in the U.S.A. by Messrs Haskins & Sells. The 'Auditape' is literally the auditor's own reel of magnetic tape (in time it is hoped there will be different editions available for varying types of computer) on which there is a ready-made program able to select, analyse, carry out mathematical checks, and even to calculate the size of statistical samples. Mr Blackburn's lecture was extremely interesting and many conference members must have cogitated on the potential benefits of their own use of 'Auditape' when, as it is hoped, it becomes generally available in Britain.

FOR STUDENTS

Trust Law

THE law relating to trusts is not easy to follow; it has been built up over a long period. It began in the Courts of Equity. Generally speaking common law did not recognize trusts. If property was transferred, it was transferred; the Courts were not interested in the reasons for the transfer. This meant that when property was transferred to A for the benefit of B, B could not protect his interests. However, the Court of Equity, as keeper of the King's conscience, decided that this was not good enough and so a whole complex of trust law was slowly evolved relating to how trusts could be formed, to the powers and obligations of trustees, and to the rights of beneficiaries.

Many different types of trusts have been invented, both for the benefit of the settlor and the protection of the beneficiary. There are protective trusts, where the beneficiary is protected against his own failings and his right to enjoy the income is made dependent on his fulfilling certain conditions. There are also discretionary trusts, where the trustees are given discretion whether or not to hand over the income or capital. These latter have been made more complicated in efforts to avoid taxation.

For the moment, however, we are concerned only with the basic requirements of the law. The law does not mind people leaving money on trust, or settling property or money on trusts, but it does make certain stipulations. If the trust is to be good, it must satisfy what are known as the three certainties:

- (a) there must be evidence of a definite intention to create a trust;
- (b) the trust property must be quite definitely specified;
- (c) there must be certainty as to who is to benefit by the trust.

Unless these three certainties are present the trust will fail, though there is an exception made in the interests of charitable trusts.

If a general charitable intention is shown, the trust will not fail but the moneys will be applied for general charitable purposes where the original beneficiaries are not clearly defined. For a trust to be charitable it must satisfy the rules laid down in *Pemsel's* case, or rather, what are known as the McNaughton Rules. A charitable trust is one:

- (i) for the relief of poverty;
- (ii) for the furtherance of education;
- (iii) for the advancement of religion; or
- (iv) for some other purpose beneficial to the community.

This latter clause is interpreted rather strictly. Again, for a trust to be charitable it must benefit a fairly wide section of the public and not, say, just the settlor's dependants, however poor they may be.

In addition to the three certainties, the law insists on two other matters; first, with regard to real property the trust must not restrict power to dispose of the property by sale;

the law does not like land being non-transferable. Secondly – and this is a rather more difficult matter – the trust must not offend the 'rule against perpetuities'. This rule insists that property must finally vest within the lifetime of the settlor or lives in being when the trust becomes effective and twenty-one years thereafter. If the trust offends against this rule, all interests that could take effect after the stated period become void. The rule does not apply to charitable trusts.

A similar rule is the 'rule against accumulations'. This states, more or less, that where the income of a trust is to be accumulated the period of accumulation must not be greater than lives in being or twenty-one years thereafter.

In both instances, if the twenty-one years refers to the minority of a beneficiary and in fact a longer period of years is stated, that period of years is to be read as if it were twenty-one.

The foregoing is but a brief introduction to the subject. Student readers already having some knowledge of trust law may care to try this against the following questions. (*The answers appear on another page.*)

Questions

The following clauses are contained in a will. Discuss their significance and the extent to which they would be valid against the persons otherwise entitled:

1. £5,000 on trust to provide a prize for the highest batting average each year in first-class cricket.
2. £20,000 to provide a holiday centre for slum children.
3. £500 to provide bed-socks for old ladies in Hammer-smith.
4. £500 to the Lakeside Hospital. (There is no hospital of this name and the legacy is claimed by the Lake View Nursing Home.)
5. £500 towards the Algerian Relief Fund. (This fund has since ceased to exist.)
6. £4,000 to my executors to be applied to such other charitable or benevolent objects as they should decide.
7. £1,000 to my solicitor. (A letter came to light after the testator's death indicating that the solicitor was to hold this sum in trust for Miss W. The solicitor had known nothing of the trust.)
8. £1,000 to my accountant R on trust. (The testator had given to R a sealed letter containing the terms of the trust.)
9. £5,000 to my sister F trusting that she will give a suitable portion to her husband.
10. On trust for H such of my property as will enable him to live in comfort.
11. £600 to my chauffeur and his dependants.
12. £40,000, the income to be shared between all retired Church of England clergymen living in the Diocese of Chester.
13. £50,000 in trust for my nephew so long as he does not deprive himself of the right to enjoy the income.
14. My freehold grouse moor to be held on trust for the

enjoyment of the Prime Ministers of England and their families.

15. My shares in Crumblecake & Co, on trust for my friend V and to any issue that may be born to him, with remainder to my wife.
16. My castle in Inverness to my friend S for life, then to

his wife T and afterwards to my nephew J provided he attains the age of 25.

17. £1,000 on trust for the first child to be born to my son N the income to be accumulated until that child reaches the age of 25.
18. £5,000 to K to be held on trust for such causes as he should wish to support.

Changes Needed to Meet Modern Business Requirements

A time of challenge and development for the profession

CHARTERED accountants had to keep pace with the great changes which have been brought about in science and industry, said Mr D. S. Morpeth, T.D., B.COM., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, speaking at the annual dinner of the Nottingham Chartered Accountant Students' Society held at the Victoria Hotel, Nottingham, on Friday of last week.

He told the members of the Society: 'You will realize that you are going to join the Institute and the profession at a time of challenge, interest and development.'

'The profession requires great changes to meet the needs of modern business in Britain and the world. Industry and science have made many changes in recent years and the profession must keep pace.'

Higher standards

He added that education standards had risen throughout the country and the chartered accountant had to keep up with the need for higher standards and much more sophisticated techniques.

'The chartered accountant has to be father confessor to his clients and a tax expert in a system which has, in recent years, grown rapidly out of

hand in complexity and irrelevance to the economy', he went on. 'These are problems and they are a challenge.'

He said that the Institute was spending a great deal of money on recruiting, but more than money would have to be spent to attract the right type of candidate.

'You are part of a dynamic society', he said. 'I hope that you will not forget your enthusiasm in the future. The Institute is you and it will be yours to make of it what you will.'

Ever-growing complexity

The principal guest, Mr R. D. Lymbery, Q.C., M.A., LL.B., who proposed the toast of the Institute to which Mr Morpeth replied, spoke of the ever-growing complexity of modern society and added that nowhere was this more obvious than in the work of the chartered accountant.

'Such has the intricacy of financial affairs become that they are ever more difficult to interpret and these matters do call for very substantial care and skill', he said. 'Speaking for myself, I am confident that that requirement is well matched with the care and attention that chartered accountants as a whole pay to their particular work.'

Touching on the subject of taxation, Mr Lymbery said: 'Nowadays when

taxation is at an extremely high level, when a lot of people disagree with the forms of taxation and with the way their tax money is squandered in many respects by public expenditure, there is clearly the temptation for the individual or company to seek to avoid their proper dues'. It was here that the integrity of chartered accountants was so important. He added that members of the Institute enjoyed a reputation for integrity which was second to none - 'they deserve our admiration and respect'.

The toast of 'The Nottingham Chartered Accountant Students' Society' was proposed by Mr J. L. Crockford, F.R.I.C.S., F.A.I., and Mr J. H. High, Secretary of the Society, responded.

Mr J. O. Knight, F.C.A., Vice-President of the Society, proposed the toast of 'The Guests' and the response was made by Sir Michael Nall, Bt.

Howitt Prize

Mr R. C. Turton, A.C.A., President of the Society, presided over the dinner, and during the evening, Mr R. Goodwin, F.C.A., President of the Nottingham Society of Chartered Accountants, presented the Howitt Prize for the outstanding student from the Society's area to Mr P. R. Moore, A.C.A.

JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS KALMAN, BLECH & Co, of London and Zürich, and Messrs KALMAN, BLECH, MARKS & Co, of London and Leeds, announce the retirement from both partnerships of Mr B. J. GREENMAN, A.I.C.A. The remaining partners will continue in practice from their existing offices, the names of the firms remaining unchanged.

MESSRS SHELDON WATERMAN & Co, Chartered Accountants, announce that they commenced to practise at 13 New Quebec Street, Portman Square, London W1 (Ambassador 3051), on December 4th, 1967; Mr P. G. SHELDON, A.C.A., A.T.I.I., is the resident partner.

Appointments

Mr John T. Barraclough, B.A., F.C.A., F.C.W.A., secretary of Hield Brothers Ltd, and Mr Brian E. Basden, M.A., F.C.A., have been appointed directors of the company.

Mr J. T. Davey, F.C.A., has been appointed to the board of Rediffusion Television Ltd.

Mr R. W. Hall, F.A.C.C.A., has been appointed secretary of Manganese Bronze Holdings Ltd.

Mr R. B. Ogden, F.C.A., previously chairman of the Law Courts Board, of Eagle Star Insurance Company Ltd, has been appointed chairman of the reconstituted West End board.

Mr R. Peddie, B.A., C.A., formerly secretary of The United Steel Companies Ltd, has been appointed to the board of the company as director in charge of finance and administration. Mr F. Holloway, F.C.A., has been appointed secretary in succession to Mr Peddie.

Mr Walter Scarth, A.C.W.A., F.C.I.S., secretary of Joshua Bigwood & Son Ltd, has been appointed to the board of the company.

Mr D. M. Shalit, F.C.A., has been appointed a director of Charterhouse Japhet & Thomasson Ltd.

Mr D. R. Ward, F.C.A., has been appointed to the board of Dunford & Elliott (Sheffield) Ltd.

Mr Kenneth Wren, F.I.M.T.A., has been appointed chief financial officer of the Milton Keynes Development Corporation.

ANNUAL ABSTRACT OF STATISTICS 1967

Three hundred and eighty-seven tables, together with an index of sources to further information, are contained in the 1967 edition of the *Annual Abstract of Statistics* now published (H.M.S.O., price £1 7s 6d). The abstract is prepared by the Central Statistical Office in collaboration with the statistics divisions of other Government departments.

A new table added this year gives figures of United Kingdom long-term capital transactions other than inter-Government loans, and substantial revisions and additions have been made to existing tables. For example, the table on 'Universities: courses taken by full-time students' now offers a new extended analysis by subject for the latest year, and the tables relating to Exchequer financing have been recast to correspond with the revised form of the finance accounts.

STENHOUSE SCHOLARSHIP FOR GLASGOW CHARTERED ACCOUNTANT

Mr A. T. McLean, C.A., of Glasgow, has been awarded the 1967-68 Stenhouse Scholarship in post-graduate management studies at the University of Strathclyde.

Mr McLean, who is 27, was admitted to membership of The Institute of Chartered Accountants of Scotland in 1963, and since then has been with Mann, Judd, Gordon & Co, Chartered Accountants, of Glasgow.

The scholarship is financed by the Stenhouse Group of insurance broking companies. It enables the holder to study for Strathclyde's post-graduate degree of M.B.A. (Master of Business Administration) - a full-time, twelve-months' course in management, business administration, and allied subjects.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr C. E. Sutton, F.C.A., F.C.W.A., J.DIP.M.A., gave a luncheon party on December 5th at the Institute's offices, 63 Portland Place, London W1.

Those present were: Sir Dennis Barnes, K.C.B., *Permanent Secretary, Ministry of Labour*; Mr H. F. R. Catherwood, *Director-General, National Economic Development Council*; Sir George Edwards, C.B.E., *Chairman, British Aircraft Corporation (Operating) Ltd*; Mr R. Glendinning, M.A., C.A., F.C.W.A.; Mr A. W. Howitt, M.A., F.C.A., F.C.W.A., J.DIP.M.A.; The Rt Hon. The Lord McFadzean, *Chairman, British Insulated Callender's Cables Ltd*; The Rt Hon. The Lord Nelson of Stafford, *Chairman and Chief Executive, The English Electric Co Ltd*; Sir Halford Reddish, *Chairman and Managing Director, The Rugby Portland Cement Co Ltd*; Mr G. C. Rowett, F.C.A., C.A.(S.R.), F.C.W.A., J.DIP.M.A.; Mr H. P. Southall, F.C.A., F.C.W.A.; Mr M. H. Walters, C.B.E., *Secretary of the Institute*.

ACCOUNTANT WINS OFFICE MANAGEMENT AWARD

Mr T. R. Young, A.C.W.A., lecturer at the Royal Army Pay Corps H.Q. Training Centre, Worthy Down, Winchester, has been awarded the Institute of Office Management's Sir Joseph Burn Prize for 1967, together with Mr D. S. Grey, of Whitehaven, Cumberland.

The award is made for the best paper in either 'Office administration' or 'O. & M. practice', two of the subjects of the seven-part diploma examinations of the Institute.

IN PARLIAMENT

Income Tax: Foot-and-Mouth Disease Compensation

Mr EMERY asked the Chancellor of the Exchequer whether he will make provision in order to ensure that the compensation received by farmers for animals slaughtered because of foot-and-mouth disease is not taxed as income if the replacement animals are not purchased before the end of the financial year.

Mr DIAMOND: Where a farmer makes an election for the herd basis under section 23 of the Finance Act 1953, compensation for the compulsory slaughter of animals forming part of

the herd is not taxable until there can be offset against it the cost of replacement animals, and any excess of the compensation over the cost of replacing by inferior animals is left out of account in computing profits.

Hansard, November 30th, 1967.
Written answers, col. 181.

Income Tax

MR FLETCHER-COOKE asked the Chancellor of the Exchequer what estimate he has made of the cost to public funds of allowing husband and wife the option of being taxed separately as if they were single persons, ignoring, for the purposes of this calculation, any change in working habits that this reform might induce.

MR DIAMOND: About £10 million if the option were limited to earned income but anything up to £300 million if it applied to all income.

Hansard, November 21st, 1967.
Written answers, col. 288.

Investment Grants

MR GODBER asked the President of the Board of Trade whether he will reconsider his decision not to pay investment grant on individual items costing less than £25 when purchases of fifty or more such items are made at a time and when, but for the minimum figure imposed by his Department, these items would otherwise qualify for grant.

MR DARLING: No, I shall keep the *de minimis* rule under review, but experience so far does not suggest that it would be right to change it.

Hansard, November 22nd, 1967.
Written answers, col. 348.

Fire Regulations: Tax Relief

MR PRIOR asked the Chancellor of the Exchequer whether he will give a directive to local Inspectors of Taxes to allow them to grant tax relief for expenditure incurred in complying with new fire regulations, which constitute no improvement, addition or extension to property but whose sole purpose is to permit the continued occupation of the premises.

MR HAROLD LEVER: No. Expenditure on repairs to existing fire-fighting appliances would be allowable as a deduction in computing profits for tax purposes, but expenditure which resulted in a permanent raising of the standard of safety would normally be capital expenditure and would therefore not be so allowable, whether or not it was incurred compulsorily.

Hansard, December 1st, 1967.
Written answers, col. 187.

Taxation Revenue

MR ELDON GRIFFITHS asked the Chancellor of the Exchequer what amount of revenue was derived in 1966, or the last year for which figures are available, for income tax, purchase tax, betting tax, capital gains tax, and road licence fund tax, respectively.

MR HAROLD LEVER: The information requested is contained in the following table:

	1966 £ million
Income tax	4,123
Purchase tax*	679
Betting duties	43
Capital gains tax	4
Motor vehicle duties*	270

* Before deducting export rebate.

Hansard, December 5th, 1967.
Written answers, col. 265.

DEFENCE BONDS: CONVERSION OFFERS

The Treasury has announced that conversion offers will be made to holders of the following Defence Bonds maturing on April 1st, 1968:

- (i) 4½ per cent Defence Bonds (Conversion Issue) issued in the period October 1st, 1957 to March 31st, 1958, and repayable on application at £105 per cent upon maturity;
- (ii) 5 per cent Defence Bonds (Conversion Issue) issued in the period October 1st, 1960 to January 31st, 1961 and on March 15th, 1961, and repayable on application at £103 per cent upon maturity.

Holders of such Bonds will be invited to exchange their holdings on

April 1st, 1968, into 5½ per cent National Development Bonds (First Conversion Issue) which will be repayable on application at £102 per cent upon maturity. The terms of these new Bonds will be the same as those of the 5½ per cent National Development Bonds (First Issue) currently on sale, except that interest will be payable on March 1st and September 1st. Holders of the maturing Defence Bonds who decide not to accept a conversion offer should apply for repayment. No interest will be payable on the Bonds after they mature on April 1st, 1968, and they can only be repaid upon application by the holder.

Holders who accept an offer of conversion will receive on April 1st, 1968, the final interest payment on the matured Defence Bonds, for the period October 1st, 1967 to March 31st, 1968, together with the maturity premium due on Bonds exchanged. The lists of acceptances of the conversion offers will be closed on December 29th, 1967.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

Two taxation seminars and a residential computer appreciation course are to be held next month by The Institute of Chartered Accountants in Ireland. The first one-day seminar will take place in Dublin, and is designed to give accountants in practice and industry an authoritative evaluation of the implications of recent Finance Acts in the Republic of Ireland and to discuss problem areas in taxation legislation. The second seminar will continue over two days and is to be held at Muckamore, Co. Antrim. It will also be of interest to accountants both in practice and industry, and will deal with the effects of corporation tax and capital gains tax in Northern Ireland.

The three-day residential computer appreciation course will be held in Dublin and is designed to give members an appreciation of computers and data processing systems and an opportunity to study commercial applications.

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**SHEFFIELD AND DISTRICT SOCIETY
OF CHARTERED ACCOUNTANTS**

A one-day course on the 1967 Companies Act has been arranged by the Sheffield and District Society of Chartered Accountants for January 9th at The Arts Tower, University of Sheffield, commencing at 9.15 a.m. The speakers will be Professor J. C. Wood, Mr I. Hicks, B.COM., F.C.A., Mr P. Keenan and Mr B. D. Armatys, M.A.

On January 11th, at 12.30 for 1 p.m., the Society's Doncaster Group is holding a luncheon meeting at 'Cooplands' Restaurant, Frenchgate, Doncaster.

**WOLVERHAMPTON SOCIETY
OF CHARTERED ACCOUNTANTS**

'Main techniques used in management economics and their pertinence to the accountant' is the title of a talk to be given by Mr A. H. Vause, B.A.(COM.), A.C.A., lecturer at the Manchester Business School, at the next meeting of the Wolverhampton Society of Chartered Accountants to be held on January 8th, at 5.45 for 6 p.m. at the Victoria Hotel, Wolverhampton.

HOLBORN DISCUSSION GROUP

A meeting of the Holborn Group of the London and District Society of Chartered Accountants will be held next Wednesday, December 20th, when Mr C. Croxton-Smith, M.A., LL.B., F.C.A., of Watling & Partners, will open a discussion on 'Management and ethics - the work of the investigation committee'.

Group meetings are held on the third Wednesday of the month at 6 for 6.30 p.m. at the Hotel Russell, Russell Square, London WC1; further information may be obtained from Mr Brian M. Currie, c/o Arthur Andersen & Co, St Alphage House, 2 Fore Street, London EC2.

**SOUTH-WEST ESSEX GROUP OF
CHARTERED ACCOUNTANTS**

Directors' remuneration, shortfall and distribution aspects of corporation tax were discussed in some detail at a

meeting of the South-West Essex Group of Chartered Accountants held on December 4th which was addressed by Mr W. R. Packer, M.A., F.C.A. The attendance of some forty members and the questions following Mr Packer's address were indicative of the difficulties experienced in relation to these aspects of corporation tax legislation.

The next meeting of the Group will take place on Wednesday, January 3rd, at the Cauliflower Hotel, 553 High Road, Seven Kings, Ilford, Essex, at 6.45 p.m., when Mr J. D. Tabor, F.C.A., will talk about the organization and control of a practising accountant's office with a view to better organization leading to higher productivity and profits. Refreshments will be available from 6.15 p.m.

BRITISH COMPUTER SOCIETY**Business Management Group**

The first of a series of twelve monthly meetings arranged by the British Computer Society's Business Management Group dealing with information systems is to be held on January 16th, commencing at 2.30 p.m., at the Society's headquarters, 23 Dorset Square, London NW1.

Subjects and speakers will be: 'The business environment', by Mr Ian Hay Davison, B.SC.(ECON.), F.C.A., and 'Information systems development', by Mr Dudley W. Hooper, M.A., F.C.A., Technical Officer, The Institute of Chartered Accountants in England and Wales.

Those wishing to attend the meeting should apply as soon as possible to the Group's secretary, Mr D. L. O. Hayward, Flat 5, 150 Randolph Avenue, Maida Vale, London W9.

Manchester and District Branch

The next meeting of the Manchester and District Society of the British Computer Society will be held on January 10th at 6.30 p.m. in the Renold Building, University of Man-

chester Institute of Science and Technology, when a talk will be given on 'The impact on systems analysis' by a member of the National Computer Centre.

**INTERNATIONAL FISCAL
ASSOCIATION**

'Progress in tax harmonization in the Common Market' will be the subject of a talk to be given by Mr G. Heekens, general problems division, Directorate General for Competition, E.E.C. Commission, at the next meeting of the British Branch of the International Fiscal Association to be held on January 2nd at 6 p.m. at Westminster House, 2 Stanley Street (off Millbank), London SW1.

At a meeting on January 25th, also at the same time and venue, Dr J. van Hoorn, jun., managing director, International Bureau of Fiscal Documentation, will speak on 'Present and future taxation trends in the Netherlands'.

Further particulars regarding the work of the Association and the activities of the British Branch are available from the Secretary, Mr Geoffrey J. Bellenie, 6 St James's Square, London W1.

**ORGANIZATION FOR OVERSEAS
MARKETING**

A new export handbook, entitled *Organization for Overseas Marketing*, has been published by the Board of Trade for use by executives and senior management in industry as a guide to organization in ensuring efficient exporting.

The booklet covers the broad internal organization of home-based companies and sets out forms of organization for overseas marketing, illustrating its suggestions with organization models. There is also a practical check list which can be used as an efficient gauge by management in industry for reviewing organizational structure.

Prepared for the Board of Trade by Professor Elliott Jaques, Head of the

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School of Social Sciences, Brunel University, the handbook is available free, from the Information Division, Board of Trade, 1 Victoria Street, London SW1.

EFTA COMPENDIUM

A loose-leaf handbook entitled *EFTA Compendium for the Use of Exporters* has been prepared by the Board of

Trade to assist exporters to countries in the European Free Trade Association.

The handbook explains in detail how goods can qualify as EFTA goods and so enjoy the benefits of free trade, and also reproduces the various EFTA forms and declarations showing with examples how these can be completed.

Published by H.M.S.O. (price 12s 6d, by post 13s 8d), the handbook

will be kept up to date by an amendments service.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

Monday: 6 p.m. Meeting of Bridge Society in the Common Room, 43 London Wall, London EC2.

7 p.m. Chess match v. Wood Green (Home).

Trust Law Quiz

Answers to Questions on pages 789 and 800

1. This could be a valid trust as the three certainties are present:

- (a) it shows a definite intention to create a trust;
- (b) it reveals the intention to entrust definite property;
- (c) it is intended to benefit definite persons or persons who can be identified.

However, it offends against the rule against perpetuities and it could hardly be considered to be for charitable purposes, so it will fail.

2. There is no definite beneficiary but the purpose is charitable within the McNaghton Rules and it will be good. The Court will probably appoint trustees if none are named in the will.

3. A difficult problem. It is essentially a trust as no old ladies are specified by name. It offends against the law against perpetuities. But if it can be construed as a charitable trust it will be good. However, the class of persons may be considered to be rather small and it may fail on this account and the gift go to the residuary legatees.

4. Gifts to persons or organizations that do not exist are void. It might, however, be shown that the testator made a genuine mistake as to the name, and if so, the nursing home could claim the money. If this cannot be shown, the *cy-près* doctrine will not be applied as there was no general charitable intention shown, a specific organization being named.

5. This gift would normally be void. If it can be shown that there is a general charitable intention the *cy-près* doctrine may be applied.

6. This will fail and the executors must

hold on trust for the residuary legatees. The trust fails because there is no certainty as to the beneficiaries. However, it would have been upheld if the word 'benevolent' had not been included. It would then have been a charitable trust and the question of the beneficiaries not being named would not have arisen. Benevolent objects are not necessarily charitable.

7. This is a secret trust. If the solicitor had been informed that he was to act as a trustee it may have been good. If he had not, but had been named as a trustee in the will, the money would not have benefited Miss W, but he would have held it in trust for the residuary legatees. However, as the will states the money is left to the solicitor he may take it absolutely and ignore the letter (*Boyes v. Carritt*).

8. This is different from the previous clause. R must hold as a trustee. The question is whether he holds for the residuary legatees or for the person named in the letter. If R knew that the letter he had been given was in connection with the trust and had agreed to take it, then he will hold for the person mentioned in the letter. Otherwise he will hold for the residuary legatees.

9. His sister F would take the money absolutely - there would be no trust in favour of her husband and she would be under no obligation to give him part of the money.

10. This will probably fail, for one of the essentials of a trust is that the property must be identified or capable of being identified. This is not possible in this instance and the legacy will therefore be void.

11. This will probably be good but the

chauffeur will take absolutely with no obligation to share with his dependants as there are no legal means of establishing who the dependants are.

12. This seems to be a charitable trust. If it were not it would fail because it offends against the rule against perpetuities. The only reason it may fail is that the beneficiaries are a too limited class. Even so, it is possible that the *cy-près* doctrine may be applied.

13. This is a legacy subject to a condition subsequent. As the condition seems to be completely vague it will probably be invalid, and the nephew will take absolutely.

14. This will probably fail. It offends against the rule against perpetuities and it can hardly be said to be for charitable purposes.

15. This trust could offend against the rule against perpetuity. It would not fail absolutely but V would take the property entirely for his own enjoyment and that of his children.

16. The rule against perpetuity states that property must be finally settled or vest within lives in being and twenty-one years thereafter. If the residuary beneficiary is to take at an age of more than twenty-one years, the Court will reduce the age to twenty-one provided this will bring it within the rule. In this instance, all seem to be lives in being, and the property is bound to vest even if it means reverting to the donor's estate within the necessary period.

17. This will be good but the age will probably be reduced to twenty-one so that it does not offend against the rule against accumulations.

18. This is invalid. K cannot be given *carte blanche* to dole the money out as he wishes unless the gift was obviously charitable. It is unlikely that K could take the gift absolutely as there is an obvious intention to create a trust.

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THE ACCOUNTANT

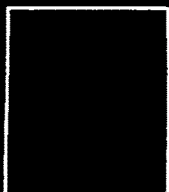
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DECEMBER 23rd, 1967

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Your courses diary for 1968

One of a series of advertisements designed to remind members and non-members of the extensive facilities available.

INSTRUCTIONAL COURSES organised by the Institute are open to all members, and non-members when sponsored by a chartered accountant. The following list indicates residential courses for 1968. A series of shorter non-residential courses are now being planned. Full details and application forms are sent, prior to the courses, to all members of

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No.	Subject		Dates of Series	Duration of each Course	Planned Size	Location
1968						
2	E.D.P.	Between	20 & 25 February	3 days	4 × 50	Hotel Metropole, Brighton
3	Tax	Between	23 & 29 March	5 days	3 × 50	Hotel Metropole, Brighton
4	(Pilot Course) subject to be arranged	Between	25 April & 2 May	5 days	1 × 70	Palace Hotel, Buxton
5	Management Information	Between	22 & 28 June	4 days	3 × 50	Hotel Metropole, Brighton
*6	Summer Course		11–16 July	5 days	1 × 200	Christ Church, Oxford
*7	Summer Course		18–22 September	4 days	1 × 200	Churchill College, Cambridge
8	Systems Analysis	Between	27 September & 3 October	4 days	To be arranged	Churchill College, Cambridge
9	Course for Members (Pilot Course follow-on – see 4 above)		October	5 days	To be arranged	To be arranged
10	E.D.P.	Between	3 & 10 November	5 days	3 × 50	Hotel Metropole, Brighton
11	Tax	Between	1 & 8 December	3 days	4 × 50	Hotel Metropole, Brighton

* For members only.

THE ACCOUNTANT

Established 1874

Vol. CLVII. No. 4853

December 23rd, 1967

The Recognized Weekly Journal for the Accountancy Profession throughout the World

GREETINGS

To our many readers at home and abroad we extend our good wishes for Christmas and the New Year

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Accountant's Wilful Default

SIDE by side with the continual increase in the burden and complexity of income tax, there has marched a continual extension in the period during which the Inland Revenue are allowed to have second thoughts. The statement that an Inspector cannot make an additional assessment unless he makes a 'discovery' is an empty mockery, having regard to the case law which establishes that a mere change of mind is a 'discovery'.

The six-year time limit for assessments is a salutary measure, but this protection has continually been eroded. In 1942 it was abrogated for all those cases where some form of fraud or wilful default has been committed by or on behalf of the taxpayer. If a taxpayer procures someone to commit *fraud* on his behalf, it is scarcely to be doubted that he commits fraud himself. One might well regard the extended wording as being intended for all laymen to understand.

But the idea of *wilful default* on behalf of a taxpayer is a curious one. There cannot be a default without a duty, and the Income Tax Acts contain no provision for a taxpayer's duties to be transferred to someone else, except in relation to persons under a disability. But in so far as it is conceivable for wilful default to be committed on a taxpayer's behalf (the taxpayer not being under a disability) one would expect it to be in circumstances where the taxpayer knew it was going on. However, last week it was established in the High Court in the case of *Clixby v. Pountney* that a perfectly innocent taxpayer can suffer penalties for wilful default committed on his behalf but without his knowledge.

According to *The Times* of December 12th, Mr CLIXBY was a farmer and haulier who had complete faith in his accountant and signed returns prepared by him without examining them. The accountant had been given access to all Mr CLIXBY's books and other records, and on the accountant's advice he had opened bank accounts which had not been disclosed, and bank interest had not been returned.

The accountant died and the Revenue raised assessments outside the time limit on the well-known 'fraud or wilful default' grounds. The General Commissioners held that Mr CLIXBY was not personally guilty of either of those charges, but that the accountant had committed wilful default on his behalf.

Armed with a legal aid certificate, Mr CLIXBY appealed to the High Court where it was argued on his behalf that the assessments could be upheld only if he had expressly or impliedly authorized the fraud or wilful default, or had ratified it. Mr Justice CROSS

rejected this submission, observing that the words 'on his behalf' were perfectly clear. The question whether an agent can, independently of the taxpayer, be in default *vis-à-vis* the Inland Revenue was not raised.

The decision adds a new terror to income tax, for the unfortunate taxpayer can never at any time be sure that the agent he has employed has not done something which, in the eyes of the law, is wilful default.

The 1966 Sample Census

APART from 1941 – the second full war year – the population census in Great Britain was taken every tenth year from 1801 to 1961. By an Act passed some years ago, however, a population census may now be taken every five years and the sample census of 1966 was the first of the quinquennial series.

The 1966 census taken last April, when one-tenth of the inhabited houses and every tenth person in institutions such as hotels, hospitals, etc., received a form for completion, was the first in which sampling methods have been used in Britain, although a quick preliminary survey of the results of the full 1961 census was made by examining a 1 per cent sample of the completed questionnaires. Individual county tables relating to the sample census have been issued at intervals over the past few months. Last week summary tables relating to Great Britain as a whole were published (H.M.S.O. £1 12s 6d) with further analyses into regional patterns as well as some of the county tables already made known.

The total population of Great Britain as shown by the sample census was 52,303,720. This figure falls considerably short of the estimate made by the REGISTRAR-GENERAL based on the 1961 census and the mortality, birth and immigration and emigration figures collected over the period 1961–66. This difference is somewhat perturbing to the statistical expert and it may cause doubt to be thrown on the adequacy of a 10 per cent sample.

The number of females in Great Britain exceeds that of males by 1,665,060. It is a well-known fact that male births exceed female births by 5 per cent or more, but the greater longevity of women swings the balance strongly in favour of females by the time the middle and upper age groups have been reached. The greater number of male births and the tendency for women to marry earlier than men has resulted in an excess of unmarried men over their female counterparts. The number of single men in Great Britain was shown by

the census to be nearly 11½ million compared with just over 10½ million unmarried women. This reverses the situation of two decades ago, the losses in the male population in the younger age groups caused by the war having been more than made good.

Over one million people in Great Britain in 1966 were born outside the country; the country providing most immigrants being Ireland with nearly one-third. Another third came from India and Pakistan and a quarter from the West Indies. Nearly 40 per cent, or just under two out of every five immigrants, were living in the Greater London area.

Three or four decades ago, when Britain's birth rate was declining, experts predicted a large fall in Britain's total population and a significant increase in the percentage of old people. This fall in total population has not taken place and we now have a relatively high proportion of our population in the younger age groups. But there has been some squeeze in the proportion of the population of working age. Three out of every eight persons in Great Britain are under the age of 25 and about 18 per cent are aged 60 and over. The teenagers are now prominent by their numbers and by their relative affluence.

For the first time in any British census a question was asked about car ownership. Of the seventeen million households in Great Britain, seven and a half million – or 45 per cent – own at least one car and one million of these own two or more cars. Two-thirds of the total cars owned are kept in a garage; presumably the other third is parked in the street or private drive. The proportion of car owners is highest in the Outer London Metropolitan area. In this area 60 per cent of all households own at least one car.

Affluence, too, is indicated in the statistics of home-ownership. Forty-seven per cent of all dwelling-houses were owner-occupied and 29 per cent were rented from a local authority or new town corporation. The proportion of dwellings rented from private landlords is known to be significantly lower than a decade ago and this falling trend can be expected to continue. The proportion of owner-occupied dwellings is highest in the north-west region (but excluding Manchester and Merseyside). Here, no less than 58 per cent of the dwellings are owner-occupied. In the south-east, including London, the proportion is 55 per cent and in the south-west 54 per cent. Scotland has the lowest percentage of such dwellings.

COMPANIES ACT 1967**Insurance Companies—I**

THERE are fifty-one sections in Part II of the Companies Act 1967 (sections 58 to 108, inclusive) which revise the Insurance Companies Act 1958 (the 1958 Act).

Under section 60 of the 1967 Act no person may carry on in Great Britain insurance business of a class within section 59 of the Act, other than an industrial assurance business, except:

- (a) a company incorporated under the Companies Act 1948 or otherwise or a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965, or any corresponding enactment in force in Northern Ireland (registered society) which (in each case) is authorized by the 1967 Act to carry on business of that class;
- (b) an unincorporated body of persons which is so authorized to carry on business of that class and which immediately before November 3rd, 1966, was carrying on in Great Britain insurance business whether of that class or not;
- (c) a body registered under the Acts relating to friendly societies or trade unions; or
- (d) a member of Lloyd's, or of any other association of underwriters approved for the purposes of Part II of the 1967 Act by the Board of Trade.

No person shall carry on industrial assurance business in Great Britain except:

- (a) a company incorporated under the 1948 Act or otherwise or a registered society which (in each case) is authorized under Part II of the 1967 Act to carry on such business; or
- (b) a friendly society registered under the Friendly Societies Act 1896.

In the case of the Isle of Man or any of the Channel Islands, incorporated companies (whether under the 1948 Act or otherwise), registered societies and friendly societies may carry on industrial assurance business without an authorization under Part II of the 1967 Act. The penalty for contravening section 60 is (a) imprisonment for a term not exceeding two years or a fine or both on conviction on indictment; or (b) imprisonment for a term not exceeding three months or a fine not exceeding £200 or both on summary conviction.

The classes of insurance business referred to in section 59 which are relevant for the purposes of Part II of the 1967 Act are industrial assurance, liability

insurance, marine, aviation and transport insurance, motor vehicle insurance, 'ordinary long-term insurance', pecuniary loss insurance, personal accident insurance and property insurance.

Each of these classes is defined by section 59 in terms different from those used by the 1958 Act. 'Ordinary long-term insurance business' is lengthily defined and means, broadly, the business formerly grouped under the style of 'life insurance'. 'Liability insurance business' means the business of effecting and carrying out contracts of insurance against risks of the persons insured incurring liabilities to third parties, other than risks arising out of, or in connection with, the use of motor vehicles, vessels or aircraft or risks incidental to the construction, repair or docking of vessels or aircraft.

'Pecuniary loss insurance business' means the business of effecting and carrying out contracts of insurance against risks of loss to persons insured (a) arising from the insolvency of debtors of theirs or otherwise from the failure of debtors of theirs to pay their debts when due; (b) arising from contracts of guarantees; (c) attributable to interruptions of business or reductions in the scope of business carried on; (d) attributable to unforeseen expense; and (e) falling outside the foregoing categories and also outside insurance business of some other class. 'Marine, aviation and transport insurance' does not cover motor vehicles unless such vehicles constitute 'goods, merchandise or property of any description on board of vessels or aircraft'.

Incorporated companies, registered societies and unincorporated bodies of persons which immediately before November 3rd, 1966, carried on business of any specified class (other than industrial assurance) may continue to do so, provided they were not then carrying on business in contravention of section 2 (1) of the 1958 Act; but if they wish to extend their business by carrying on additional classes of insurance business, they will have to obtain an authorization from the Board of Trade, as will any new company or society. Similarly, in the case of industrial assurance, an incorporated company or registered society which was carrying on such business in Great Britain before November 3rd, 1966, otherwise than in contravention of section 2 (1) of the 1958 Act, may continue to do so, but otherwise requires an authorization from the Board of Trade (section 61).

Before the issue of an authorization under section 61 to a new company, society or body or to an existing company, society or body in respect of a new class of insurance business, the Board of Trade must be satisfied:

- (a) in the case of a company, society or body which is carrying on general business within or outside Great Britain when the authorization is applied for and has completed its first financial year, that the value of its assets exceeds the amount of its liabilities by the 'relevant amount'; and
- (b) in any other case, that it has assets whose value amounts, after deducting liabilities, to not less than £50,000. In each case, if the company has a share capital, the amount paid up must not be less than £100,000.

The 'relevant amount', if the general premium income of the company, society or body in its last preceding financial year did not exceed £250,000, is £50,000. If the premium income in that year exceeded £250,000 but did not exceed £2,500,000, the relevant amount is one-fifth of such income. If the premium income exceeded £2,500,000, the relevant amount is the aggregate of £500,000 and one-tenth of the amount by which the premium income in the last preceding financial year exceeded £2,500,000, so that if the premium income is £3 million the assets must exceed liabilities by £550,000. Section 13 (2) of the 1958 Act, which relates to the computation of liabilities and general premium income, applies for the purpose of determining the 'relevant amount'.

In the case of a company, society or body whose last preceding financial year was not a period of twelve months (other than one which has not completed its second financial year and whose first financial year was a period of less than twelve months) section 62 of the 1967 Act provides for a variation of the minimum figures in relation to the premium income and the excess of assets over liabilities, but the figures of £50,000 and £500,000 stay constant (section 62).

Section 62 does not apply to the issue of an authorization to a company, society or body where the Board of Trade are satisfied that the purpose for which the authorization is sought is to enable the company, society or body to carry on business for the purpose only of insuring persons of a limited class or of insuring persons against risks of a limited category of the class against which insurance cannot, in the absence of the authorization, lawfully be undertaken by the company, society or body in the course of carrying on business in Great Britain. This provision allows firms to carry on special schemes for their own employees or limited classes of employees either direct or through a pension fund scheme, where the pension fund is carrying a risk instead of passing it on to an insurance company.

Where section 62 of the 1967 Act does not apply to the issue of an authorization, the authorization may impose on the company, society or body an obligation (a) to refrain, in the course of carrying on business of the class to which the authorization relates, from insuring persons other than persons of a specified class; and (b) to refrain from insuring persons against risks other than risks of a specified class. Such an obligation may be discharged by the Board of Trade if it appears to them to be no longer necessary for it to continue in force, or it may be varied at any time. Under section 63 of the 1967 Act the Board of Trade must be satisfied before they issue an authorization under section 61 that, in respect of each class of risks, adequate arrangements are in force or will be made for reinsurance of the risks of that class or that it is justifiable not to make arrangements for that purpose.

The Board of Trade shall also not issue an authorization under section 61 to an incorporated company if it appears to them that (a) an officer of the company or of a body corporate of which it is the subsidiary; or (b) a person in accordance with whose directions or instructions the directors of the company or of a body corporate of which it is the subsidiary (or any of them) are accustomed to act or a person who is entitled to exercise, or control the exercise of, one-third or more of the voting power at any general meeting of the company or of a body corporate of which it is the subsidiary, is not a fit and proper person to be associated with the company. Similarly, they shall not issue an authorization under section 61 to a registered society or unincorporated body if it appears to them that an officer of the society or body is not a fit and proper person to be associated with it.

By section 102 of the 1967 Act the term 'officer' includes (except where the context otherwise requires) a director, manager or secretary, while 'director' includes any person occupying the position of director by whatever name called. 'Subsidiary' has the same meaning as in section 154 of the 1948 Act. By section 102 (3) of the 1967 Act a person will not be deemed to be a person in accordance with whose directions or instructions the directors of a company or other body corporate or any of them are accustomed to act by reason only that the directors of the body act on advice given by him in a professional capacity. References to a 'body corporate' are to be construed by section 102 (4) as not including a corporation sole or a Scottish firm, but as including a body incorporated outside Great Britain.

Under section 65 of the 1967 Act the Board of Trade may, when issuing an authorization under section 61 of the Act, impose all or any of the following requirements with respect to the initial conduct of an insurance business:

- (a) a requirement that the company, society or body

shall not make investments of a specified class and shall before the expiration of a specified period (or such longer period as the Board may allow) realize investments of that class held by it immediately before the requirement is imposed;

(b) a requirement that assets of the company, society or body to a value not less at any time than the amount of its domestic liabilities at that time shall be maintained in the United Kingdom;

(c) a requirement that assets of the company, society or body of a specified description, free from any mortgage or charge and to a value not less at any time than whichever is the greater of a specified proportion of the domestic liabilities and £50,000, shall be maintained in the United Kingdom; and that those assets or the documents of title to them, as the case may be, shall be held in the custody of a person approved for the purposes of section 65 by the Board of Trade;

(d) a requirement that the company, society or body shall at specified times or intervals furnish to the Board information about specified matters which shall, if the Board so require, be verified in a specified manner.

A requirement imposed by paragraph (b) or (c) above may be so framed as either to come into effect immediately after the day on which it is imposed or to come into effect after the expiration of a specified period, or such longer period as the Board may allow. A requirement may not extend beyond a period of five years from the date of issue of the requirement, and this period must be specified by the Board when they impose the requirement. The Board may, however, rescind a requirement if it appears to them that it is no longer necessary or they may from time to time vary a requirement other than one imposed by virtue of paragraph (b) above.

(To be continued.)

Off Target

MR W. F. ARCHER, F.C.I.S., drew a bow at a venture when, in the course of his presidential address at the annual general meeting in London last week of The Chartered Institute of Secretaries, he said that the company secretary should be a trained and qualified man and – he went on to say – ‘what better qualification is there for such a post than that of the chartered secretary?’

This random shaft fell on somewhat hard and unsympathetic ground as far as the Press was concerned, *The Times* instancing the unhappy case of the Rolls Razor Co, and reminding Mr ARCHER that Courtaulds, his employers, had gone to the Bank of England for its present secretary who has no formal qualifications for the post.

It is perhaps unfair, however, to quote cases in isolation as there are many examples to be found both of good unqualified company secretaries and indifferent or bad qualified company secretaries. Where Mr ARCHER appears to err is in assuming that the thirty thousand chartered secretaries have the best credentials for the job. If that were so, then, in round figures, twice that number of chartered and certified accountants would surely want to know the reason why. The

directories of the three Institutes and the Association provide demonstrable proof that their members, if they do not have a monopoly of the secretaryships of the leading commercial, financial and industrial companies in this country, have at least a very substantial share. The reason for this state of affairs is simply that the training of a qualified accountant is more intensive, comprehensive and disciplined. The whole is greater than the part and this is borne out by the indisputable fact that many accountants use the position of company secretary as a stepping-stone to the directorship which may lead in turn to the chairmanship.

Nevertheless, The Chartered Institute of Secretaries is an important body whose efforts are constantly directed towards improving the high standards of its members. In parenthesis, it may become a considerable power in the land if it merges its activities with those of the equally worthy Corporation of Secretaries. There is still, in all conscience, more than enough missionary work to be done in the field of investor and shareholder protection, as well as general company management, to keep many members of the recognized bodies – accountancy and secretarial – busy for many years to come. What must be clearly understood is that the main qualification required for taking on any job is the ability to do it and do it well and, applying this generalization to the present argument, it is nonsense to suggest that the members of The Chartered Institute of Secretaries possess exclusively the skill required of an efficient company secretary.

Current Affairs

Estate Duty Not Payable on Advances Under Discretionary Trusts

THE House of Lords last week unanimously reversed the estate duty decision of the Court of Appeal in *Gartside v. C.I.R.* Mr Thomas Edmund Gartside had made a settlement in 1927 under which funds were held during the life of his son on discretionary trusts for the son and the son's family. There was a power of advancement in favour of the son's children and the trustees exercised this power on January 2nd, 1962, when they made two advances each worth £23,500. On May 8th, 1963, the son died, and the Estate Duty Office claimed estate duty not only on the remaining fund but also on the advanced £47,000 under section 43 of the Finance Act 1940.

The Estate Duty Office argued in relation to the £47,000 that when it was advanced to the son's children 'an interest limited to cease on a death' had been determined after it had become an interest in possession. The Court of Appeal accepted their argument that the combined interests of all the objects of the discretionary trust constituted an interest in possession limited to cease on the death of the son. The taxpayer appealed to the House of Lords.

Lord Reid, as reported in *The Times* of December 14th, said that the objects of a discretionary trust did not have an interest extending to the whole of the income of the trust fund, nor to any part of that income. It followed that they did not have interests in the fund within section 2 (1) (b) of the Finance Act 1894. Turning to section 43 of the Finance Act 1940, his lordship said that *a fortiori* they did not have interests in possession. To speak of an interest 'in possession' did not mean that one possessed the interest; one also 'possessed' an interest in expectancy.

'In possession' must mean that one was able to claim now, whatever the interest gave a right to. But the right (which a discretionary object has) to require the trustees to consider whether they would pay anything, did not entitle one to claim anything. If the trustees did pay an object, he did not receive the money because he had a right to be considered, but because

the trustees had decided to exercise their discretion in that object's favour. The other learned law lords concurred.

Avoiding Estate Duty by 'Grafting'

THE House of Lords has dismissed the Revenue appeal from the Court of Appeal decision in *Re Holmden's Settlement* (45 A.T.C. 161). Under the settlement, a fund was held on discretionary trusts during the lifetime of the settlor's widow, one of the beneficiaries. If nothing was done, the fund would pass on her death and be charged to estate duty. The Court's sanction was therefore obtained to a variation of the settlement under which, *inter alia*, the discretionary trust of income should continue either for the life of the beneficiary or for twenty-one years from the date of the variation, whichever was longer.

As the beneficiary was then already 84, she was unlikely to survive the twenty-one-year period and she did, in fact, die about two years later. The Estate Duty Office claimed duty on two alternative grounds; first, that the variation did not, in fact, come into operation until the death, so that there was a passing; secondly, that the variation 'determined' a life interest when it was effected so that duty was payable under section 43 of the Finance Act 1940. Needless to say, the two arguments contradicted each other, so neither of them succeeded.

Lord Reid, reported *The Times* of December 4th, said, as to the first argument, that the only change on the beneficiary's death was that she ceased to be one of the discretionary beneficiaries, and it was admitted that that did not effect a sufficient change to attract duty. On the section 43 point his lordship said that the effect of the variation was to determine the interest which the settlor had provided and to replace it by a new interest. However, none of the beneficiaries whose interest was thus determined lost anything by that determination and the determination was not in favour of anybody. Therefore section 43 had no application.

Lest anyone should be tempted to emulate the taxpayers in *Holmden*, we would point out that avoiding action has already been taken by the Crown in the form of section 40 of the Finance Act 1966, which will need to be carefully studied by would-be avoiders.

'Relevant Profits' are Accounts Profits

PARAGRAPH 9 of Schedule 16 to the Income Tax Act 1952 contains provision for double tax relief in respect of underlying tax on profits out of which a dividend is received. The underlying foreign tax to be taken into account is that borne by the company on its 'relevant profits'. Does this phrase mean the profits as computed for the purpose of the foreign tax, or the profit shown by the accounts?

It was once thought that the former was the correct answer, but the practice has been changed and the change has now been upheld. The Bowater Paper

Corporation claimed relief in respect of underlying tax on dividends from its American subsidiaries. These enjoyed the benefit of special depreciation provisions under the tax laws of the U.S.A. and Canada, which reduced the profit for tax purposes well below the accounting profits. The Inland Revenue took the latter as the 'relevant profits'. The Special Commissioners upheld this view which has now been upheld by Mr Justice Cross in a reserved judgment delivered on December 13th.

Value Added Tax

THE need for additional tax revenue is forcing the Government to consider afresh the merits of a value added tax (T.V.A.) and, on the assumption that at some future date Britain will become a member of the European Economic Community, it is as well to anticipate the tax harmonization which will be necessary. In an article in the current issue of the *District Bank Review*, Professor A. R. Prest, of Manchester University, considers the merits of the tax as an alternative to the present purchase tax or the corporation tax.

The major problem in making such comparisons is that arbitrary assumptions have to be made concerning both the structure of the tax and the rates to be applied. There are, as Professor Prest points out, many possibilities and looked at from the administrative point of view, 'adoption of T.V.A. is not likely to be a bed of roses'. As for the economic effects of such a change, these are even less predictable in view of the lack of knowledge concerning the Government's use of the funds raised and the shift in the incidence of the tax structure.

However, Professor Prest makes a serious effort to illustrate the main possibilities by simple statistical exercises based upon the two alternatives, (i) as a substitute for purchase tax, and (ii) as a replacement of the corporation tax. On the first alternative, and assuming a flat rate tax of 3.25 per cent which on the basis of 1966 consumer expenditure at factor cost would produce the same revenue as the purchase tax (i.e. about £650 million), Professor Prest shows that there would be large increases in the duties collected on food, housing, fuel and light, and the whole range of services such as travel, catering, cleaning, etc. On the other hand, there would be substantial reductions in duties on durable goods of all kinds ranging from clothing to furniture and cars.

In the case of a corporation tax switch, the main beneficiaries from a value added tax would be manufacturing industry which bears the brunt of the corporation tax, and in all probability the capital goods industries which would gain from the exemption of their products from such a tax. The much debated issue concerning the incidence of T.V.A. and its impact upon prices is difficult to resolve since so little is known about the extent of shifting, more especially in the United Kingdom with such a tax. On the score

of efficiency, Professor Prest suggests that those firms with the highest profits/wages ratio would benefit most and there might be 'a great burst of investment, enterprise, risk-taking and so-on as a result'. But such predictions, he concedes, owe more to guess-work than science.

Although more concerned with the restructuring of the tax system, Professor A. J. Merrett, of the London Graduate School of Business Studies, also takes the view in an article in the December issue of our contemporary *Management Accounting*, that a shift towards a uniform sales tax of the added value type must be made. He, too, is concerned with the administrative difficulties but against these he notes that the Government would be spared, under his proposals for fiscal reform, the costs of collecting many other taxes which would be replaced by the sales tax.

Judgment Reserved in Congress Expenses Case

THE question as to whether expenses incurred by a practising accountant in attending the Eighth International Congress of Accountants held in New York in September 1962, were expenses incurred 'wholly and exclusively' for the purposes of his practice within the meaning of section 137 (a) of the Income Tax Act 1952, was the matter at issue on a case stated before Mr Justice Cross on December 12th, in *Edwards v. Warmley Henshall & Co.* The Inland Revenue was appealing from a decision in the taxpayer's favour by the General Commissioners. Judgment was reserved.

Transfer of Business and Redundancy Payments

THE Contract of Employment Act 1963 in paragraph 10 (2) of Schedule 1 speaks of 'the transfer of a business'. The precise meaning of this phrase was debated in *Kenmir Ltd v. Frizzell and Others*, in the High Court last week. The four respondents had claimed redundancy payments from the company under the Redundancy Payments Act 1965; they had formerly been employed by a firm called Kenmir Brothers and if the business of that firm had been transferred to the company, their new employer, then the period by which the redundancy payment was to be calculated would be extended.

By an agreement of June 1964, the firm contracted to sell to Kenmir Ltd real property together with fixtures and plant, benefits of trade agreements, the use of the word 'Kenmir' and a trade-mark. At the same time the Kenmir brothers undertook not to be concerned in a competing business within twenty-five miles of the premises sold.

Kenmir Ltd resisted the claim of the employees that they had taken a transfer of a business, relying principally on the fact that there had been no sale of goodwill as such. The Industrial Tribunal sitting at

Newcastle on Tyne rejected this argument but gave the company leave to appeal to the High Court on this point. The Court, however, has dismissed this appeal.

Mr Justice Widgery, reported *The Times* of December 14th, said that if the argument had been right, the four employees would have lost redundancy pay unless the transfer included a formal and empty phrase

purporting to include goodwill. Few factors could be conclusive in themselves. An express transfer of goodwill was strong evidence but it was not essential if the transferor had effectively deprived himself of the power to compete. The Tribunal had reached their decision on a broad view of the circumstances as a whole. That was the proper approach.

This is My Life

by An Industrious Accountant

I VISITED the old firm where I was articled when in London recently, and saw again the big common-room where I was based for five years. It hadn't changed much; the walls had been emulsion painted a darker buff colour and the calendars had moved on some thirty-odd years but the chairs and desks were recognizably the same. Older, and with more initials cut into them (remember we were only ex-schoolboys then) but they were still the same.

As the decades roll past I find myself becoming more interested in those early days. When I left that office long ago for another, rather better position, I said my 'good-byes' and promptly forgot all about the old building. It was a stepping-stone which had served its purpose. My target lay ahead, not behind.

Now, I'm looking back nostalgically. Oliver Goldsmith had a stanza in *The Deserted Village* telling how 'the hare, whom hounds and horn pursue, pants to the place from where at first he flew', and the analogy holds good.

But we used to have fun there – particularly around Christmas time. Audits usually finished a day or so before the holiday and the few days afterwards were always slack, so we had time for coffee, or sixpenny poker, or to go out shopping; and as the years went on there were hosts of friends to meet outside. We had to queue up for the telephone, arranging rugby tours or parties or dates with girls, and that room watched us as we grew up.

There was work, too, of course. It wasn't very interesting work then – most of it. Juniors were nominated suddenly to spend weeks on bank reconciliations, or meaningless postings for perfunctory seniors who never were known to discuss revenue accounts or the intimate facts of business life with us. All that we learned in about the first four years could indeed have been compressed into six months had the office been run efficiently.

But it wasn't, of course. Offices rarely were in those days. They failed to harness our initiative or to inspire our latent zeal and energy; they just gave us more stock-books to check. It's an old, well-worn complaint

but I still fail to understand how the accountant I was articled to, a kindly, courteous, high-principled old gentleman, could so obviously lack any personal interest in his protégé's progress. (As I think of it I wonder whether the juniors in my present office feel the same about me . . .?)

My principal congratulated me when my articles terminated, but he was more than vague when I asked him for advice about my next step. It was really up to me, he indicated. There would probably be a future for me as an audit clerk if I passed my final in the coming December. I did, in fact, but he was still vague. There seemed to be a glut of young accountants these days, he said gloomily.

My performance probably hadn't been impressive, but the system had pretty well precluded such dynamic enterprise as I might have had. Anyhow, that October he put me on the payroll at £130 per annum, rising to a princely £160 when I was formally admitted into the Institute. This sort of skinflintmanship, we said indignantly, was what drained brains into industry so fast, but in fact the sheer dullness of audit work at that time was the real reason for the move.

When the whizz-kids in my accounts department move out nowadays to electronics or plastics, it's the challenge of novelty as much as the cash that lures them. Maybe I'm to blame for the dullness here . . .?

Dullness was perhaps a subjective emotion. At that visit to my former common-room there sat, at much the same desks, two qualified accountants who'd been beginners in my time. Life was fine, they assured me; no grumbles, no dullness. They went out as old friends to audit the accounts of firms whose staff had grown up under their eyes, where they were welcomed as experts and comrades. Their status was that of efficiency consultants as much as auditors; their time was their own; their function – advisory rather than executive – minimized their headaches.

As for taxation – the bane of my own job – that was no trouble, they chorused together. Their solution . . . they left it to the eggheads of their tax section. To them the old room was a home from home.

So we settled down to that most fascinating of all discussions, the careers of our old friends and colleagues, before adjourning to the local to toast our memories. In my case, mentally making some good resolutions for 1968, it seemed better to light a small candle in my office than to grumble about the darkness of the past.

The Use of Ratios in Measuring Asset Utilization

by C. A. WESTWICK, B.Sc.(Econ.), A.C.A.

Senior Project Manager, Centre for Interfirm Comparison

It may be of interest to readers to learn something of the ratios used by the Centre for Interfirm Comparison (C.I.F.C.) to measure asset utilization and of the reasoning behind the choice of measurements. Such knowledge may be useful to those seeking to devise management ratio systems for their own firms.

Most readers of this journal will be familiar with the 'pyramid' system of ratio analysis, although they may not know it by that name. Very simply, it starts by measuring the success of a firm by the ratio of profit on assets, and continues by analysing the causes of any difference between this ratio and a standard – which may be derived from past performance, budgets or interfirm comparison – by means of the relationship:

$$\frac{\text{Profit}}{\text{Assets}} = \frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}}$$

The next step is to analyse in turn the factors which have affected the firm's profit/sales ratio and its sales/assets ratio. In this article, we shall be dealing with the analysis of the sales to assets ratio only.

There are at least three different ways of expressing the relationship between the value of assets and the value of sales. They are:

- (1) The number of times per year the asset is 'turned over' (sales divided by assets).
- (2) The number of days required to 'turn the asset over once' (assets divided by average daily sales).
- (3) The value of assets per £1,000 of sales per year (assets divided by sales divided by 1,000).

The advantages and disadvantages of each method will be considered in turn.

Times per year method

The first method, which is the one used by Dun & Bradstreet, the leading American firm of mercantile inquiry agents, has the advantage that the number so obtained, when used to multiply the profit margin on sales, will give the profit on assets ratio. For example, if a firm's profit margin on sales is 10 per cent and it turns its assets over twice a year, then its profit on assets will be 20 per cent (10 per cent \times 2).

However, when one is looking for the *causes* of a difference between a firm's turnover of assets and

standard, the 'times per year' method is at a disadvantage in that the relationship between the turnover of the constituent parts of total assets and the turnover of total assets involves reciprocals, which most of us are not very happy about calculating in our heads. For example, if one divides assets between fixed and current, then, using the times per year method, the relationship is as follows:

The reciprocal of the turnover of total assets is equal to the reciprocal of the turnover of current assets plus the reciprocal of the turnover of fixed assets.

Both the 'days' and the '£/£1,000' method avoid this disadvantage. If asset utilization is measured in either of these ways, then the relationship mentioned in the previous paragraph would be as follows:

The utilization of total assets is equal to the utilization of current assets plus the utilization of fixed assets.

This, many readers will doubtless agree, is much simpler than the first relationship. This relative simplicity is illustrated by the figures in Fig. 1, which shows both the times per year method and the £/£1,000 method applied to the same basic sterling figures. It is easy to see under the £/£1,000 method that the £250 increase in total investment in relation to sales over the standard of £667 has resulted from the combination of £150 extra in current assets and £100 extra in fixed assets. Under the times per year method, little light is thrown on the total variance of 0.41 by the current and fixed variances of 1.35 and 0.50 – both of which are larger than the total which they are analysing.

Fig. 1

Method	Times per year method			£/£1,000 method		
	Standard	Actual	Variance	Standard	Actual	Variance
Total	1.50	1.09	0.41	667	917	250
Current	3.75	2.40	1.35	267	417	150
Fixed	2.50	2.00	0.50	400	500	100

'Days' method v. £/£1,000 method

On the grounds that they avoid the use of reciprocals, both the 'days' method and the '£/£1,000' method are equally preferable to the 'times per year' method for use in analysing causes of differences in a total asset utilization figure. However, the 'days' method has two disadvantages when compared with the '£/£1,000' method. The first is not, perhaps, a very important one; the second, however, is material. Some, with the writer, will find it bordering on the ridiculous to talk of 'turning over' such assets as land and buildings either so many times a year or in so many days. Others, perhaps with less pictorial imaginations may not, however, find this irritating.

A way of avoiding this difficulty is to use the expression 'the number of days required to turn the capital invested in an asset over once'. But this is getting very clumsy.

The second and more important disadvantage of the 'days' method arises when, and if, one continues the analysis one stage further and splits current assets into, say, raw materials stock, work in progress, finished goods and debtors. If one is going to maintain, for its obvious analytical advantage, the arithmetical relationship whereby the figure for total current asset utilization equals the sum of the figures for the utilization of its constituent parts, then one will be forced to measure raw material stock turnover by dividing raw material stock (valued at cost) by average daily sales (valued at selling price). This will yield a ratio which is potentially very misleading.

Most managers, when told that their stock is turned over in so many days, will assume that on average an item stays that number of days in stock. If, however, a firm's materials-cost/sales ratio is 50 per cent (a not untypical figure for British manufacturing industry), then his assumption will be 100 per cent out. Such a situation is not likely to improve management's confidence in the reporter.

The £/£1,000 method avoids both of these disadvantages of the 'days' method. (The reason why a thousandth part of sales was chosen was because it allows the smallest asset item which it is useful to measure to be expressed as a whole number and thus simplifies presentation).

It is therefore suggested that the £/£1,000 method be used in preference to the 'days' method in analysing the causes of a difference between a firm's sales/assets ratio and standard.

'Real' days method

In addition to using the £/£1,000 method, with its advantage of arithmetical inter-relationships, it may be useful to present current asset turnover in terms of 'real' days (as opposed to the 'days' in the 'days required to turn over once' method) because of the easily grasped significance of this everyday unit of measurement.

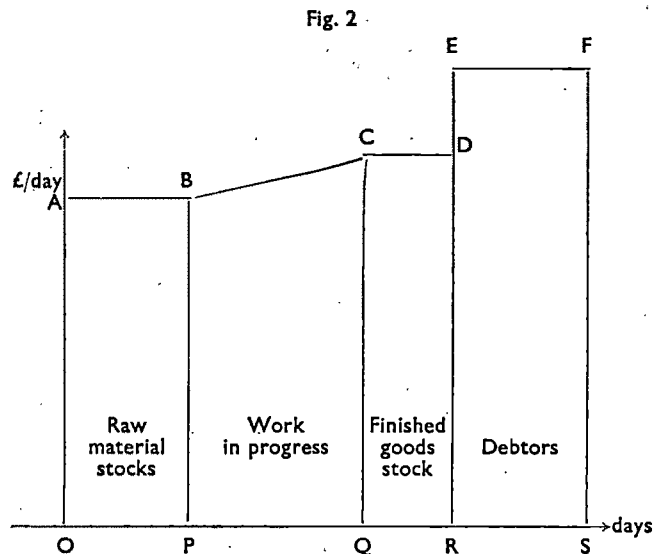
This may be done by dividing raw material stocks

by either the value of average daily materials issued to production (the flow of materials on to the shop floor) or the value of average daily materials purchased (the flow of materials into stock); and by dividing finished stock by either average daily sales (valued in the same way as finished stock, e.g. at factory cost) or by the average daily value of goods entering the finished store.

Debtors may simply be divided by average daily sales, although even here allowance may have to be made for the effect of cash discounts on the value of numerator or denominator. Work in progress is probably best divided by the average of materials issued to production and completed goods entering finished store.

Relationship between measurements

Fig. 2 illustrates the relationship between the various terms which have been used. The vertical axis measures the average value per day; the horizontal axis the average number of days. On both axes the days are 'real' days. The diagram is simplified to the extent of assuming that stock levels are not rising or falling.



OA equals the average daily value of raw materials purchased, and PB equals the average daily value of raw material issued to production. OP equals the average number of days raw material stays in stock. The area OABP therefore equals the average value of raw material stock.

PQ equals the average number of days required to make a product (shop-floor time) and QC equals the average daily value of completed products. The area PBCQ represents the average value of work in progress.

QR equals the average number of days finished goods stay in stock; RD equals the average daily value of sales (at cost). The area QCDR therefore equals the average value of finished goods stock.

RS equals the average number of days' credit taken by customers, and RE equals the average daily value of sales (selling price); SF equals the average daily value of cash received from debtors. The area REFS therefore equals the average value of debtors.

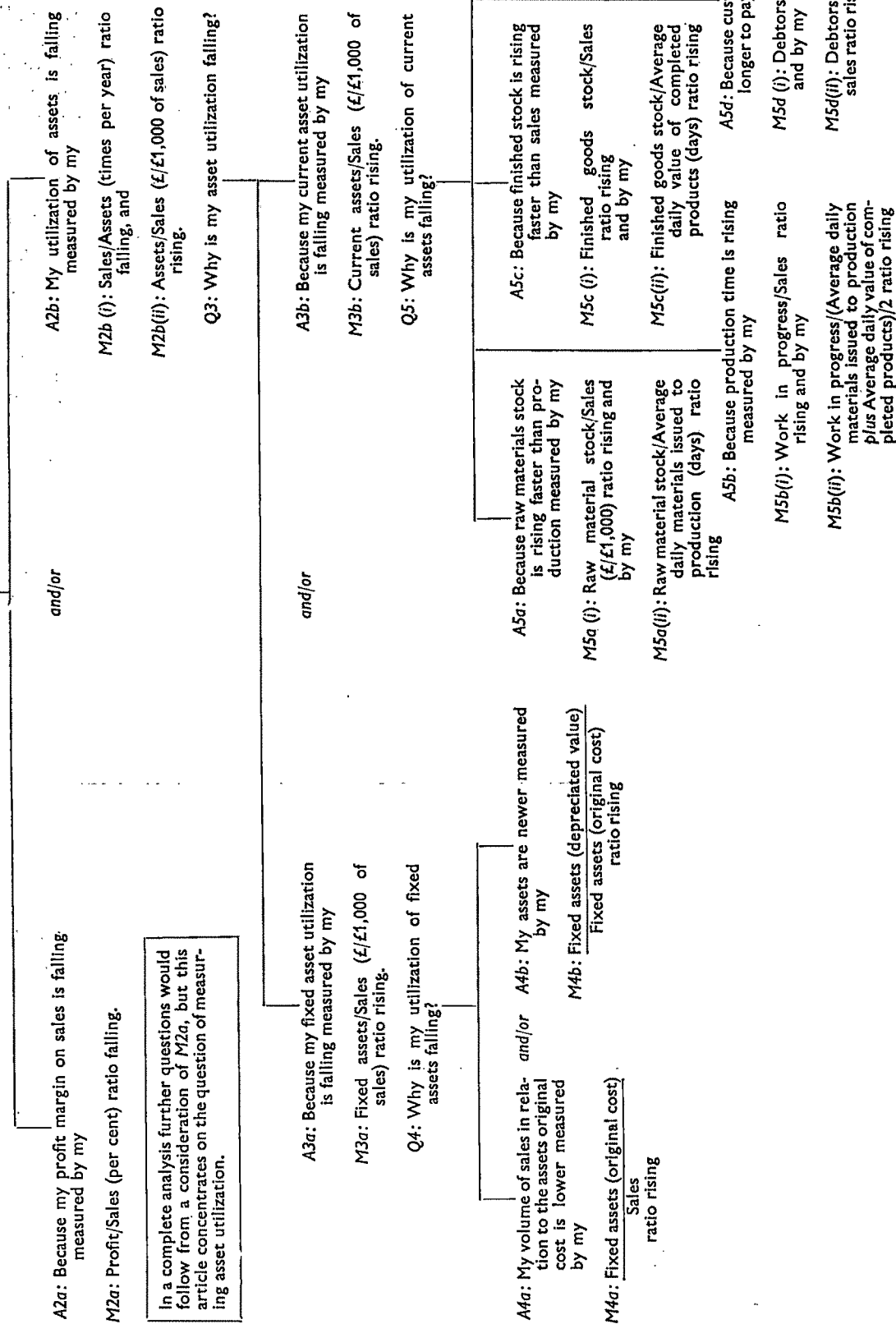
Fig. 4

Question (Q) 1: Why is my business not successful?

Answer (A) 1: Because the profit it is making from using its resources is falling measured by its

Measurement (M) 1: Profit/Assets (per cent) ratio falling.

Q 2: Why is my return on assets falling?



The current asset utilization ratios which are measured in terms of £s per £1,000 are the areas OABP, PBCQ, QCDR, and REFS divided by sales ($RE \times 365$) divided by 1,000. The ratios which are measured in terms of days are the lengths OP, PQ, QR and RS.

The fact that the vertical heights increase as one moves from left to right in the diagram emphasizes that a day at a later stage in the production/sales process ties up more capital than one at an earlier stage.

The diagram illustrates incidentally the somewhat arbitrary nature of the accountant's conventional assumptions about overhead absorption and the point at which profit is made. As all the stages from O to S are necessary to earn the profit, could it not be argued that the line ABCDEF should be much smoother?

Fixed asset utilization

The measurement of fixed asset utilization, even by such a simple method as we are using, has its problems too. One of these derives from the fact that although the value of a fixed asset declines over its useful life, it is thought to be rare for the value of the sales which it helps to produce to decline at the same rate.

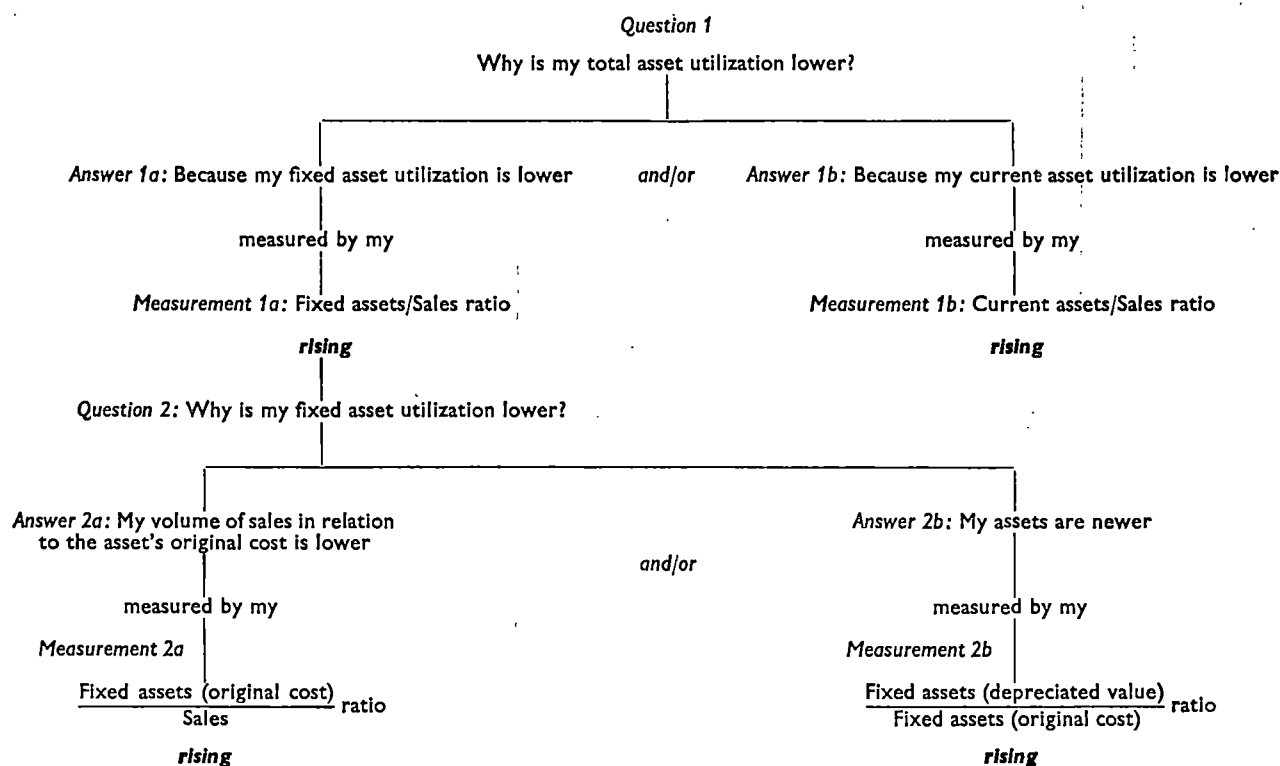
The result of this is a tendency for the utilization of a fixed asset (whichever of the three methods mentioned earlier may be used to measure this) to appear to improve as the asset gets older. However, we want an improvement in utilization to indicate an increase in the value or number of saleable objects produced and not just an increase in age. A way out of this dilemma

is to measure fixed asset utilization in two ways: by dividing the fixed asset's depreciated value by sales and then by dividing the fixed asset's original cost by sales. If one also divides the fixed asset's depreciated value by its original cost to get its percentage unexpired life, one can complete the explanation of a difference in fixed asset utilization in a 'pyramid' form (Fig. 3).

The analysis does not have to stop at this point. In schemes conducted by the C.I.F.C. the following are some of the ratios used to analyse causes of differences between firms' ratio of fixed assets to sales:

Ratio	Purpose of ratio
(1) Value of land and buildings/Sales.	To narrow down in which fixed asset there is more or less invested.
(2) Value of plant and machinery/Sales.	
(3) Value of vehicles/Sales.	
(4) Value of land and buildings per sq. ft.	To indicate to what extent a high ratio 1 is due to using expensive property (ratio 4) or under-utilization of floor space (ratio 5).
(5) Sales per sq. ft.	
(6) Plant and machinery/Direct production employees.	To show how much a high ratio 2 is the result of high mechanization (ratio 6) or low 'productivity' (ratio 7).
(7) Output/Direct production employees.	
(8) Picks woven / Maximum possible picks.	To measure the physical (as opposed to financial) productivity of, in this case, looms. Different ratios would be used in different industries to attain the same objective.
(9) Square yards of cloth woven per loom per year.	

Fig. 3



Conclusion

To sum up: when presenting asset utilization ratios to management, different methods of measurement should be used at different stages of the analysis of which these ratios form a part.

At the beginning when one is using the

$$\frac{\text{Profit}}{\text{Assets}} = \frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}}$$

relationship the 'times per year' method should be used for its unique property of multiplying the profit margin on sales ratio to give the profit on assets ratio.

At the next two stages the '£/£1,000' method should be used because by this method the relationship be-

tween the utilization of total assets and the utilization of its constituent parts is one of simple addition and because it avoids the potential confusion of the 'days' method. These two stages are (1) the division of total assets between fixed and current, and (2) the subdivision of these two groups into, for example, land and buildings, and plant and machinery on the one hand; and stocks and debtors on the other.

It is probably useful to present individual current asset utilization ratios in terms of real days as well as so many £s per £1,000 of sales; whilst fixed asset utilization can be further analysed to extract the age factor.

This summary is represented in pyramid form in Fig. 4.

The Accounting World

Topics of Professional Interest from Other Countries

SOUTH AFRICA**New President of Orange Free State Society**

AT the recent annual meeting of The Society of Accountants and Auditors of the Orange Free State, Mr A. G. Wallace, C.A.(S.A.), was elected President of the Society for the ensuing year. The Society is one of the four provincial societies of chartered accountants in South Africa and (as reported in *The Accountant* on November 11th), is shortly to be re-named The Orange Free State Society of Chartered Accountants.

In the course of his address at the meeting, the outgoing President, Mr J. C. Newton, declared that the profession should take a prominent part in making tax recommendations to the Government. One of the examples he cited which acted as a brake to enterprise, ability and energy was 'the venomous increase' in the tax rate applicable to those earning more than R6,000 a year. After referring to the part undertaken by The Institute of Chartered Accountants in England and Wales in making tax recommendations to the United Kingdom Government, Mr Newton said that he hoped that their own National Council would ensure that the profession in South Africa took its logical place in the planning of taxation measures.

Members of the Council for 1967-68 are: Messrs F. R. Jones (Vice-President); G. H. Surtees; P. J. A. Pienaar; J. C. Newton; J. Prinsloo; W. D. Cordingley; R. Antel; A. J. Bruwer and F. B. Gouws (Secretary).

UNITED STATES**Government Dictation on Management Practices**

DISCUSSING the divergent views in the accountancy profession as to the desirability of uniform accounting in a recent article in *The Financial Executive*, Professor Paul

Kircher draws attention to the new set of directives from the U.S. Department of Defence, with almost one hundred definitions of terms. He says that the Government has expressed its desire for its system to be the only one used for internal control of defence contracts, and he thinks that companies which comply will find it difficult to justify the expense of developing a different system for the part of their business that is not involved in such contracts. He fears that the tremendous pressure on the Department of Defence to reduce its costs is likely to be transmitted to industry, and that the short-run expedients which are the price of war have, all too often, undesirable long-run effects.

Professor Kircher warns that what may now be a superior control system will not even be good in twenty years' time. Suppose that everything is automated - engineers, for example, writing computer programs to produce production designs, rather than make the designs as now. How will their costs be assigned to one work package? Most such costs will become what is now arbitrarily assigned as overhead, and the proposed system will need drastic change to give meaningful management control. He concludes that the past record of Government rigidity - in income tax, the regulated industries, and the Securities and Exchange Commission's insistence on historical cost - can give no comfort to accountants.

The Accountant and E.D.P.

REFERRING to two recent surveys, Mr Bruce Joplin, writing in the November issue of *Management Accounting*, foresees that if the present trend continues there will be no computers located in the accounting departments of progressive organizations. Of the three successive levels of computer utilization, the first - the mechanical - applied for years, and the second - the tactical - involves the solving of problems previously not subject to systematic, quantified

analysis, with savings through improved services rather than decreased cost. At the third, the strategic, level, top management is aided in selecting and exploiting opportunities through simulation, model building, and operations research techniques. It is here that the optimism that heralded the potential of the computer may be realized within the next decade.

Mr Joplin says there are moves afoot to upgrade the status of computer-based information handling, with the formation of new information systems departments at a high level, under a manager of information systems. He charges that the accountant is being ignored and that, unfortunately, many accountants accept the idea that there is no place for them in management information systems. He urges that accounting was the original information system and exists in most organizations as the only such system. Though it is only the financial part of the total management information system, most other systems will use it for a point of common reference.

Mr Joplin would have accountants redefine their mission more broadly by striking out the 'financial' as a limitation in the definition of accounting, playing down their role as financial watchdogs and building up their capacity for broader service.

FINLAND

New Officers of Finnish Institute

The following officers of the Finnish accountancy body KHT-Yhdistys - Föreningen CGR have been elected for the year 1968:

President: Mr Uno Lönnqvist.

Vice-President: Mr Reino Vento.

Members of Council: Messrs Stig Colliander, Veikko E. Hakala, Matti Kauppinen, Aimo Autio, Ejnar Sandman. Secretary of the Institute is Mr Eric Haglund.

GERMANY

Growth of Office Machine Exports

THE German office machine industry, which at present includes sixty manufacturing firms with 63,000 workers, has been a leading participant in the world-wide boom for office machinery according to an article in the November issue of *Commerce in Germany* published by the American Chamber of Commerce in Germany.

After a 13 per cent increase in 1965, production rose 27 per cent to \$562 million in 1966, thereby giving Germany a share of approximately 10 per cent in world production. Despite the fact that the country's economy is still in a slight recession, in the first half of this year office machine production rose 23 per cent to \$320 million.

The industry exports more than 60 per cent of total production and the most important overseas countries to which Germany sends its office machinery are: France, \$6.45 million; United Kingdom, \$4.6 million; United States, \$43.5 million; Italy, \$19.5 million; Netherlands, \$1.8 million and Switzerland, \$1.3 million.

Of interest in the same issue of the journal, is a table showing that over 3,400 computers either in use or on order in Germany on July 1st last were I.B.M. products. Of the

United Kingdom products, the journal lists International Computers and Tabulators in fourteenth place with twenty-three machines in use or on order at the above date, Ferranti, eighteenth, with nine machines and Elliott Automation, twentieth, with six machines.

MALAYSIA

Malaysian Institute of Accountants Established

UNDER the Malaysian Accountants Act which recently received the Royal Assent, the Malaysian Institute of Accountants has been established with the principal purpose of regulating the accountancy profession in the Federation.

The new Institute will provide for the training, education and examination of persons practising or intending to practise in the Federation and promote the interests of the profession. It will also be responsible for the training, education and examination of candidates for admission as members and will decide on the practical experience required for registration as public accountants or registered accountants, and its Council will have authority to approve places of employment in which such practical experience may be obtained.

For the purposes of the Act, the Council of the Institute will consist of the Accountant-General of the Federation, or his nominee, eight public accountants and six registered accountants. The President and Vice-President will be elected by the Council from among its members.

It will be necessary for an applicant wishing to be admitted as a public accountant member of the Institute to satisfy the Council that he has had not less than five years' experience in the office of a public accountant or of a practising accountant overseas who is a member of one of the recognized bodies under the Act, i.e., the English, Scottish and Irish Institutes of Chartered Accountants; The Association of Certified and Corporate Accountants; The Institute of Chartered Accountants of Australia; The Australian Society of Accountants; The New Zealand Society of Accountants and The Canadian Institute of Chartered Accountants. In the case of an applicant who has a degree of a university approved by the body of which he is a member, the period of practical experience required is reduced to three years. The registered accountant will have to satisfy the Council that he has had not less than five years' practical experience in the service of a public accountant or Government department, bank, insurance company, local authority or industrial or commercial undertaking. There is also a third category of membership - that of licensed accountant - comprising those who have acted as auditors of companies under the Malaysian Companies Act 1965, or have been in public practice as accountants, tax consultants or tax advisers immediately before the coming into operation of the Act.

The three categories of membership will be entitled to describe themselves respectively as public accountants (with the designation P.A.(M)); registered accountant (designation R.A.(M)); and licensed accountant (designation L.A.(M)).

The Act will prohibit any person not registered as a member of the Institute from practising as a public accountant, auditor, tax consultant, or tax adviser, or from holding himself out to be a licensed or registered accountant.

MANAGEMENT INFORMATION

Controlling Contract Investment

THE heat which has been generated in recent years on the question of controlling overall spending on contracts – particularly those for the Government – has tended to focus attention on the client/company relationship to the exclusion of other considerations. In this process what has sometimes been overlooked is the profitability of the contract to the company in relation to the funds which it has to invest in it.

The return on investment in such contracts was the subject of an article in July/August 1967 issue of *Management Services* (New York), by Robert L. Lenington. Mr Lenington is controller, Information Systems Operation, of Sylvania Electronic Systems, U.S.A., and he sets out the purpose of his article quite clearly in the opening paragraph:

'Control of spending, however, is not enough. The ultimate measurement of business performance is the profit that can be generated against a level of investment.'

Measuring performance

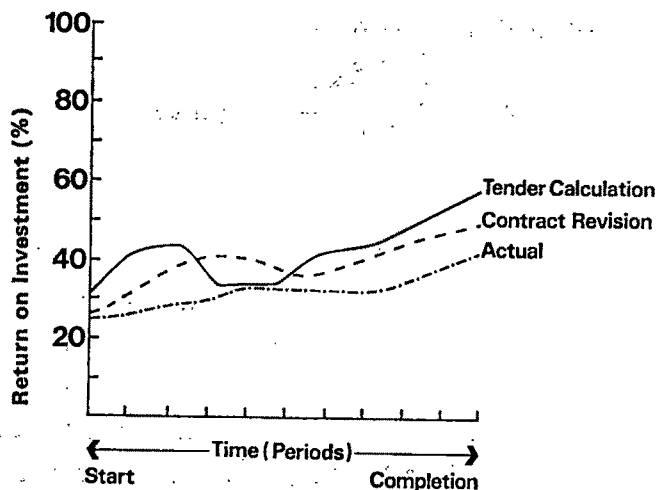
The process of measuring performance starts with the calculation of the amounts invested in the contract. This involves breaking down the periodic outlays for materials, labour, and indirect expenses in a cash flow statement. Deducted from the outlays is the expected cash receipts from progress payments, or part deliveries, which then shows the net inward or outward cash flows for each period. The cumulative of the periodic cash movements provides the cash investment in the contract for each period, which can then be used to ascertain the *average* investment in the contract over its whole life.

The process of calculating the cash receipts from the contract involves the determination of the periodic amounts to be claimed from the customer under the contract and the percentage of those claims that will be paid. The profit included in the total contract price will be known and can be apportioned to the periods during the contract and for the contract as a whole the profit, adjusted to an *annual* basis, can be expressed as a percentage of the *average* investment in the contract.

Control of performance

As with other forecasting and control techniques, it is essential that the original forecasts upon which the contract price was based should be related to the out-turn of the contract as it proceeds. A useful method of dealing with this aspect is to plot the progress of the return on the investment to date for each period, culminating in the target rate of return on completion of the contract. If a moving average for the value of the investment is calculated period by period, the periodic build up of profit – expressed on an annual basis – can be used to calculate the periodic rate of return on investment, which over the life of the contract will reach the target rate. This build up of the rate of return is illustrated in Fig. 1 by the curve 'Tender calculation'.

Fig. 1 – Return on Contract Investment



If there are any major revisions of the terms of the contract, the effect of such changes should be incorporated in a new curve, 'Contract revision', as shown in the illustration, which indicates the new contract target returns.

As the contract proceeds, the actual figures resulting each period can be used to plot the 'actual' return on the graph, so that its progress can be compared with the planned return and any variances investigated.

Controlling amount invested

Deviations from the planned investment can make serious inroads into a company's resources and profitability. Over-investment in a contract can result from a number of factors, such as delays in claiming and receiving progress payments, buying materials too early on in the contract, and – where there are periodic deliveries to the customer – delays in his acceptance procedure.

The return on the contract may also be affected by the 'stretching' of the time for its completion, whether through the inability of the company to complete on time, or through delays by the client. When the contract is 'stretched', the profit is spread over a longer period of time and is therefore lower on an annual basis; whereas the average investment tends to be little affected.

To limit the effects of over-investment in the contract and the adverse effects of lengthening the time for completion, such changes should be reported to management and their causes ascertained and, where possible, corrected.

Determining profit margin required

Where the company sets a minimum return on investment criterion for contracts, this factor must be built into the quotation for the job as an addition to the cost. To be able

to quote a price, the company must have a method of converting this addition for profit to a percentage of cost.

Assume that the company requires a return on contract investment of 30 per cent. It is bidding for a contract which will last for twenty months with costs of £500,000 and for which the average investment is £80,000. The percentage profit to be added to cost can be calculated in the following way:

$$\left(\frac{\text{Cost} \times \text{profit per cent}}{\text{Length of contract in months} \times 12} \right) \div \frac{\text{Average investment in contract}}{\text{Length of contract in months} \times 12} = \text{Target return on investment}$$

Let x = profit percentage, then:

$$(a) \frac{\frac{£500,000 \times x}{20} \times 12}{80,000} = 30 \text{ per cent}$$

$$(b) \frac{300,000 \times x}{80,000} = 30 \text{ per cent}$$

$$(c) 3.75 \times x = 30 \text{ per cent}$$

$$(d) x = 8 \text{ per cent}$$

Therefore profit to be added to cost is 8 per cent.

Conclusion

The return on the investment in a contract is a much more accurate appreciation of its profitability to the company than either the absolute profit expected or the percentage added to costs. A new contract requires the investment of some of the company's funds and the selection of contracts giving the best rates of return will lead to an improvement in the overall profitability of the company.

A Christmas Dinner

The first letter of each answer to the following general questions combines to form, without rearrangement, a quotation from Walter Savage Landor. Where the answer is a person's name, the surname is given first. The solution appears on another page.

1. What word of two letters denotes 'the undifferentiated source of the organism's energy from which both ego and libido are derived'?
2. Who was Chancellor of the Exchequer when the £ was devalued in 1931?
3. If you were a trichologist what would be your particular interest?
4. What is the surname of Stalin's daughter Svetlana?
5. Who 'all in the blue unclouded weather . . . rode down to Camelot'?
6. Who composed the opera *I Pagliacci*?
7. What branch of anthropology deals with the statistics of births, deaths, diseases, etc.?
8. What is the chronological term for a period of fifteen years?
9. What famous churchman wrote the hymn 'Lead Kindly Light'?
10. Of which of the Soviet republics is Tallinn the capital?
11. What is the fifth sign of the Zodiac?
12. Which of Henry VIII's brides appeared to him so different from her picture that 'he swore they had brought him a Flanders mare'?
13. What is the study of monstrosities or abnormal formations in animals or plants?
14. What medal was inaugurated in 1907 to recognize heroic deeds performed at work by miners and quarrymen?
15. What two ladies, unlike their pupils, were insensitive to Cupid's darts?
16. What artist painted three companion pictures of 'The Rout of San Romano' which are now in galleries in London, Paris and Florence?
17. Who wrote the children's story entitled *The Rose and the Ring*?
18. Which of the nine muses was associated with comedy?
19. What German artist published a celebrated book of wood engravings called *The Dance of Death*?
20. What is the science of interpreting inscriptions?
21. Of what herbaceous plant are Charles Langdon, Father Thames and Pacific Galahad varieties?

22. What Act was passed in 1889 for the purpose of shortening the language used in Acts of Parliament?
23. In which city does the Interborough Rapid Transit form part of the subway system?
24. Of which French province is Paris the capital?
25. What is 'the land of the long white cloud'?
26. Who gave the 1966 series of Reith Lectures?
27. What composer used the fairy tale of Cinderella as the theme for an opera?
28. Who is the Prime Minister of Northern Ireland?
29. What is the name given to hydrocarbons of the paraffin group containing eight carbon atoms?
30. Who led the French forces against General Wolfe at Quebec?
31. What composer was awarded the Order of Merit last month?
32. What was the ethereal fluid, according to Greek mythology, which flowed in the veins of the gods instead of blood?
33. Who was the first Secretary-General of the United Nations?
34. With which city is the King's Regiment, raised in 1685, associated?
35. What is the German and Dutch equivalent of an English mayor or Scottish provost?
36. What is the branch of linguistic science which treats of the origin of words?
37. What English painter married the actress Ellen Terry in 1864?
38. What is the branch of natural history which deals with insects?
39. At what famous sea battle did the Spanish novelist Cervantes lose an arm?
40. What English poet wrote:
'Stone walls do not a prison make,
Nor iron bars a cage'?
41. Which powerful explosive was named after the town in Kent where it was manufactured?
42. What do sections 35 to 42 of the Companies Act 1967 deal with?
43. Who was the first man to travel in outer space?
44. Which flowering shrub is also known as 'the tree hollyhock'?
45. Who were so frightened by a monstrous crow that 'they quite forgot their quarrel'?
46. What Russian directed the film classics 'Battleship Potemkin,' 'Ten Days that Shook the World', and 'Alexander Nevsky'?
47. Which adjective, derived from the name of a severe Athenian magistrate, indicates anything harsh or cruel?
48. What French statesman, formerly a bishop, played a dominating part at the Congress of Vienna?
49. Where was the home of Disraeli from 1847 until his death in 1881?
50. What geometric figure may be described as the section of a cone by any plane less inclined to the base of the cone than is the side of the cone?
51. By what old name were scented pinks, white stocks and wallflowers also known?
52. In which constellation is Polaris, the Pole Star?
53. What splendid youth, beloved of Diana, was given the gift of perpetual youth by Zeus?
54. What Irish satirist was born 300 years ago last month?
55. In what celebrated trial was 'Bullocky Orton', the big butcher of Wapping, convicted of perjury?
56. What, according to the old rhyme, is a swarm of bees in June worth?
57. Of what country is the markka the principal currency unit?
58. What French chef invented the Bombe Nero and Pêche Melba?
59. What is the best known member of the cetacean family?
60. Who described Oxford as a 'home of lost causes, and forsaken beliefs, and unpopular names, and impossible loyalties'?
61. Who, the seventh of the minor prophets, foretold the fall of Nineveh?
62. Excluding Yorkshire what, in acreage, is the largest English county?
63. What modest little flower is known botanically as *Galanthus Allenii*?
64. Who wrote the novel *Middlemarch*?
65. What legendary country off the coast of Cornwall was the scene of the Arthurian legends?
66. What is the second book of the Pentateuch?
67. What wine would you be drinking if the bottle carried a seal depicting a black cockerel on a golden background?
68. What play by Molière is currently in the repertoire of the National Theatre?

An Essay on Tax

by JOHN BRETT

(With apologies to Alexander Pope)

'Tis hard to say if greater show of skill
Appear in dodging tax or paying ill.
Two sorts there are who each in honour lacks
The busy bee but partly paying tax
Or drone so idle little tax doth pay –
Both enemies of State, each in his way
But of the two more vexing is th' offence
To falsify returns to save one's pence.

I – Ignorance

Those half-learned witlings, numerous in our isle
Who're tainted more by ignorance than guile,
Why will they not by expertise be led?
'Twould save them many a sleepless night in bed.
One is bewildered by the maze of laws,
By statutes, cases, and by legal saws.
(Whoever hopes a faultless Act to see
Thinks what ne'er was, nor is, nor e'er shall be.)

One is bedevilled by his tax return,
Another, though you teach, can never learn,
What dire offence from carelessness may spring,
What weighty contest rise from trivial thing
Failing to know what's fair for ale and cakes¹
Or rendered liable by mere mistakes,
In search of rebate losing common sense,
Then turning nasty in his self-defence.

And some so foolish argue black is white –
Thinking what adds correctly must be right;
It's ignorance that puts them in the red
For fools rush in where wise men fear to tread.
And sometimes men of honour, lacking wit
Correcting trivia, greater faults commit.
Good nature with good sense they should align,
To err is human, being forgiven's fine.

II – Dishonesty

Of all the causes which conspire to bind
Man's erring judgement, and mislead his mind,
What the weak head with strongest bias rules
Is greed, the greatest, grossest, vice of fools
Where beams of warm imagination play
The memory's soft figures melt away.
Those oft are stratagems which errors seem,
It's not that Homer nods, but they that scheme.

Now see at midnight, juggling with his tills,
Tinbad the trader Form Eleven fills;
See mystery to mathematics fly,
And mathematics back to mystery.
Commas and points he sets exactly right
And 'twere a sin to rob him of his mite,
But when it comes to figures, there's the sting –
Figures, of course, are quite another thing.

Now he with pen the arduous task attacks
And, instant, fancy overrides the facts.
What's not on record he but idly schemes,
Mid wafting vapours from the land of dreams.
To check and countercheck is such a bore
Oh why, ye gods, should two and two make four?
So very much more helpful it would be
If on occasion two and two made three.

Then gnaws his pen, then dashes it on ground
Sinking from thought to thought a vast profound
Some 'facts' computes with much more subtle bent
As half to show, half veil, the true intent;
And so in fancy's easy wind conveyed
His figures are inventively arrayed.
So spins the silkworm small its slender store
And labours till it clouds itself all o'er.

III – Abstinence

Lord M's remembered for some words of his
'The income tax a tax on income is,
If I may pardoned be so much to say'.
The State the butter takes, leaves us the whey –
But what of him who income fails to earn
And brings no cream unto the Nation's churn,
Whose sole ambition well to live at ease is
And earn as little income as he pleases?

A hundred years ago it was declared
That none but poor from taxes should be spared:
For A, though twenty hundred pounds could gain,
Preferred to live on seven without strain,
Tax should be levied on two thousand pounds –
On that to which his idleness set bounds
And on the tax-free thirteen spent to please.
Why should there be no income tax on ease?

By contrast B, who does a full year's work,
Having earned seven hundred does not shirk
From piling up additional thirteen,
Which, ere it can be spent, will taxed have been.
The net amount, as spent, is taxed again,
They work for State as well as self, those men
And do not grudge the tax. Why should there be
No purchase tax on inactivity?

C thinks it great, the virtue and the art
To live on little with a cheerful heart,
Forgoing luxuries as heavily taxed
Especially those on which the rate has waxed,
As beer and wines, cigars and cigarettes –
But does he never suffer from regrets?
One's heard the everlasting yawn confess
The pains and penalties of idleness.

Condemn alike those in life's afternoon
Who lured by pension rights retire too soon
Saying 'Why should we work to sixty-five
For half more than at sixty we can hiber' –
And they who've long since lost ability,
Who clutter up the wheels of industry;
Like elder statesmen chewing on the past
They totter on in business to the last.

¹ *Hutton v. West Cork Ry Co* (1883) 23 Ch.D. 654, 673.

The second are who most hate tax to pay
 'Tis true they get such profit as they may
 But fritter it away on what they spend.
 Each time returning from a long week-end,
 Charged against revenue, kill the fatted calf,
 Arguing that 'the Queen pays more than half'.
 Expenses grow like leaves, where most abound
 Much fruit for tax unlikeliest is found.

A tax for dodging tax deserves support,
 E.g. a vice-less tax or on ex-sport . . .
 The trouble with this pentametric verse
 By bug once bit, the thing becomes a curse.
 One really could continue this *ad lib*
 Were it not that Editors would jib,
 No doubt the reader has a little list
 So let him add whate'er the writer's missed.

The Papers of 'Mr Smith'

by SMITHSON, Jun.

RECENTLY I was sorting the papers of my grandfather, a chartered accountant, who died some twenty years ago. Since reticence still binds our profession I shall call him 'Mr Smith'.

Smith passed his Finals in 1890 – only eight years after The Institute of Chartered Accountants in England and Wales had started formal examinations and only ten after the grant of its Charter. The increasing number of limited companies and the 1901 Companies Act helped him greatly. By 1907 his correspondence showed him to be a man of some substance with a firm of his own – expanding overseas as well as in the U.K. – a director of several companies and chairman of two.

His confidential papers betrayed Smith's wide range of interests. Advice was given to companies in Russia – this was before the Revolution, to people starting in Spain, and there was later evidence of visits to Malaya and the Far East. On the other hand there were papers relating to service to charities, to music and to the City Corporation.

The Institute, of which he became a member of Council, seemed to have absorbed a fair amount of time. 'I strongly disagree with the draft wording of clause 34 of the Companies Bill' he wrote to the then chairman of the Parliamentary and Law Committee. The chairman acknowledged, saying that he hoped Smith would raise the matter at the next committee meeting, confessing himself to misgivings about the clause. However, the subsequent chapters in the story were missing and we were not told what happened to the clause which caused such trouble.

Stormy

There were stormy letters between Smith and the co-directors of one company which had a strange ring of Soames Forsyte. 'No one can accuse me of milking this company', he wrote, 'which is more than can be said of some others'. It appeared there was mistrust between some of the English directors and the branch in America, and Smith, as chairman, seems to have been the confidant of both sides. This story ended unhappily

in resignation, following sad disagreement about the way salary cuts – yes, salary cuts – should take effect among the employees.

Much of his work had similarity to the work of a chartered accountant in practice today. There was the now familiar story, recorded in this case in pitiless detail, of a family row involving a family company. Smith again received the confidence of both sides. 'The widow is jealous of me', wrote one shareholder trying to rid himself of his shares, 'how can I sell my shares when she has such influence with the remaining directors and will block their transfer?' So there was 'oppression of minority interest' even in those days. The widow's letters were more restrained. She explained how the shareholder in question had misbehaved in the past and why the price he wanted was in her view too high. The tragic death of a third party cut short this battle which concluded if not in amity, at least in some form of reconciliation.

Fascinating

The letters between partners also provided a fascinating case study. Smith's son-in-law, openly acknowledged as clever, provided constant worry for the other partners. 'Before you depart overseas I must see you about this important matter', wrote the senior salaried partner to Smith, and it is quite clear what the serious matter was.

Ten years later when Smith was retiring and the firm merging, he was still in anxiety – 'I view the future with the greatest misgiving'. How many people since involved in merger or take-over must have echoed that sentiment?

On the whole, however, relationship with partners was good. One invariably began his letters with 'I am sorry for this delay . . .' but always went on to impart good advice. Another was of the never-put-things-in-writing school and his notes frequently included the phrase 'We will discuss further when you are back in the office'.

The notes between partners before the merger were surprisingly predictable. What was to happen to

an exceptionally talented article clerk? Would the son of one of the partners still get his articles free with the new firm?

Yet there were marked differences from the present-day situation. Life appeared to have been much more leisurely, with an important lunch at the Athenaeum being the frequent excuse for skipping a meeting at three in the afternoon. How many partners in city firms today are able to make a similar excuse with a clear conscience?

The style of the correspondence, much of it handwritten, with its flourishes and compliments had a much closer affinity to the eighteenth century than to the early twentieth. Men, it seemed, worked hard; the hours were long but they still had time for the elegances of life.

There was, moreover, a notable absence of correspondence with Government bodies – no evidence to Royal Commissions, no Prices and Incomes Board, very brief exchanges with the Inland Revenue, only two investigations on behalf of Government departments. There was a passport of sorts signed by the Marquis of Salisbury, but no copies of the massive Whitehall-based documents accountants have to grapple with today. The only noteworthy corres-

pondence with Westminster was a letter, carefully preserved, from the Prime Minister's secretary about a knighthood in the Honours List, together with three alternative draft replies – equally well preserved – each with numerous alterations.

Finally, there was everywhere evidence of unemployment and of influences at work to mitigate it. 'Please could you find my nephew a billet, he has been out of work for six months.' And again, 'I write to you who are a member of some influence in our profession (my uncle is a judge but being in a different profession – though one in which I have shown much interest – I cannot apply to him)'.

Heartrending

Most heartrending of all was a courteous and restrained epistle from a gentleman in danger of being passed over for promotion – 'I have worked in this office for forty-one years and have been next in line for twelve. Are my hopes to be finally dashed?'

Perhaps, after all, it is as well that reticence still binds our profession, for sadnesses such as these are best forgotten. As much we, his grandchildren, agreed, as we carried them – passport, knighthood, resignation letters and all – to the garden bonfire.

A Christmas Thought

by a member of the Accountants' Christian Fellowship

THE prophet Haggai complained that the men of his day earned wages, only to put them into a bag with holes: from which we deduce that financial and economic problems are not a modern phenomenon. The cynic might even feel that part of Haggai's suggested remedy – that greater demands should be made on the people's purses for the building of the temple – would not in essence be unfamiliar in the ears of a modern Chancellor.

The cynic would be unjust to the prophet. For Haggai's prescription was more profound than a mere economic remedy. The people, he suggested, should cease to be concerned only with their own getting and spending, and should remember the call of a higher loyalty – to the God of Israel.

As we, at yet another Christmas, rest for a moment from the pressures of modern financial Babel, we too remember something profounder and more enduring than all the concerns of our material anxieties. The stable at Bethlehem surely has never had a greater significance than when the affluent society seems to have gone sour upon us.

F. R. C.

Finance and Commerce

Capital Finance

DIVERSIFICATION for diversification's sake has probably posed more industrial questions than it has solved. It certainly proved disastrous for Capital Finance Co Ltd, whose 1966-67 accounts were recently issued. Mr F. S. Jamieson, who became chairman of the company in November last year, does not beat about the bush in his statement with the accounts.

Commenting on 'the appalling nature' of the results he points out that the company suffered a substantial operating loss, by far the greater part of which took place via the very large amounts which the board felt obliged to write off, or provide, against share and loan investments - almost all of them in companies not connected with hire-purchase business proper.

He reminds shareholders that, in previous years, they had been advised that the company 'was pursuing a policy of diversification outside the hire-purchase field'. The results, he comments, 'can only be described as disastrous'. Investments were made 'which were both unwise and badly timed' and the company 'had in its central organization neither the personnel nor the expertise to control and to supervise these non-hire-purchase investments'.

When the board received the draft accounts it was felt that the only correct course was to ask for the suspension of the Stock Exchange quotation of the company's shares and this came into effect on November 6th. The previous April the board had stated that the diversification policy was to be reversed and energies concentrated on hire-purchase business.

Procuring assets

Of the loss on finance operations, about £150,000 refers to normal hire-purchase and credit finance activities and the balance to the fact that the cost of financing several large loans to other concerns considerably exceeded the income received. Turning to the amounts written off and provisions (the reprint of the auditors' report should be noted in this connection), the chairman says that certain loan and share investments, the purchase of which the company has financed, are not held directly, but are in Snow Investments Ltd, a company in which Capital Finance has no shareholding. The board is currently in the process of procuring the transfer of these assets to Capital Finance and, for the sake of simplicity, Mr Jamieson assumes in his comment, that this transfer has been completed.

Amounts written off and provisions made against the wholly-owned (since December 1963), Headstone-Grange group of garage companies total £393,000 and a 'complete reorganization' is in hand. The Noel Bell group of garage and car sale companies, which was only 50 per cent owned at one time but which is now fully controlled, entails provisions of £861,000. Yet another motor trading company, Moto-Baldet of Northampton, is the subject of write-offs and provisions totalling £77,000, with provisions of £73,000 made against similar interests in Glasgow.

But it was in excursions into the Belmont Finance Co Ltd, and into associations with the Rolls Razor group that most of the trouble arose.

Adequacy doubt

Belmont Finance became engaged mainly in housing estate development and since December 1966 its affairs have been in the hands of a receiver and, more recently, one of its subsidiaries has been put into liquidation. Capital Finance does not own any Belmont shares but holds a certain number as collateral for a loan to a Belmont director. Snow Investments has a small shareholding. Capital Finance, however, made substantial advances to Belmont and these are the subject of provisions of £827,000.

Hopes expressed by the previous board (the board has been radically changed since the previous accounts were presented) that little, if any loss, was likely to result from involvement with the Rolls Razor organization seem unlikely to be realized. The position is now the subject of write-offs and provisions of £817,000. Further provisions of £797,000 have been made against 'certain block discounting and loan transactions with companies engaged in credit sales of furniture and soft goods'. Income amounting to £270,000 credited to revenue in the previous year have been written back. This consists of items which have not been received in cash and which the board is now advised are not legally recoverable.

The board believes that the provisions should prove sufficient although 'due to accounting deficiencies in certain debtor companies and continuing uncertainty in regard to the extent of liability under certain indemnities and guarantees, there must still remain an element of doubt as to the adequacy of these provisions in certain individual cases'.

Capital reorganization

Although basic hire-purchase finance business is showing up reasonably well this year, an operating loss for the current year is considered inevitable. The company has had the co-operation of its bankers but is almost entirely dependent for its continued existence on the support afforded by the Standard Life Assurance Company which holds the £3 million of 7½ per cent unsecured loan stock. Note 17 to the accounts explains the arrangement.

With this support, the intention is to endeavour to expand in the field of hire-purchase and credit finance and to cut down substantially on other interests. In some cases, like that of Belmont Finance, however, the board has little power to control events. Clearly, though, the accounts show that a drastic capital reorganization is necessary if the company is to continue to operate on any sort of realistic basis.

To that end the board has consulted a leading firm of merchant bankers who, in conjunction with the company's auditors, are in the process of trying to formulate a joint scheme for submission to shareholders in due course.

CAPITAL FINANCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account

for year ended 31st January 1967

	1966	1966
	£	£
1 Group operating loss [1966—profit]—note 1	825,977	34,711
2 Deduct [1966—add] Dividends from trade investments	29,426	65,501
	796,551	100,212
3 Add [1966—deduct] Taxation—note 2	13,466	59,624
	810,017	40,588
4 Add Exceptional losses and provisions—notes 3 and 4	4,124,577	—
	4,934,594	40,588
Loss, including amount shown at line 4 above [1966—profit], after taxation—note 4		
Income for which credit taken in previous year not now recoverable	270,000	
Adjustment to reflect change in basis of accounting for finance charges as at 1st February 1966	74,731	
Overstatement of claim for recoverable expenses as at 31st January 1966	6,528	
	351,259	
Less Overprovision for directors' fees at 31st January 1966	1,050	
	350,209	
	5,284,803	40,588
	13,450	102,379
	5,298,253	61,791
	59,059	121,490
Dividends—note 5		
Unappropriated profit at 31st January 1966, after adjustment (£640) for subsidiary not then consolidated		
Debit balance [1966—credit] on Profit and Loss Account carried forward, in the accounts of Capital Finance Company Limited	5,239,194	24,759
Subsidiaries—note 6	—	34,940
	5,239,194	59,699

Notes to Consolidated Profit and Loss Account

for year ended 31st January 1967

	1966	1966
	£	£
1 Group operating loss [1966—profit], attributable to the members of Capital Finance Company Limited, on	636,199	250,745
Finance operations	189,778	(216,034)
Motor trading	825,977	34,711
is stated after charging		
Interest on	169,130	247,529
Bank borrowings	902,287	848,468
Other short term loans and deposits	225,000	3,699
7½ per cent Unsecured Loan Stock 1960	14,311	15,176
Other long term loans	1,310,728	1,114,872
Depreciation	107,577	64,383
Directors' remuneration	—	4,462
Fees	—	10,768
Management emoluments	—	11,607
Auditors' remuneration	—	85
Preliminary expenses written off	—	—
2 Taxation	4,611	32,221
Income tax	—	24,640
Profits tax	—	2,763
Corporation tax on profit of a subsidiary attributable to the holding of Capital Finance Company Limited therein	2,965	—
Underprovision for taxation in respect of earlier years	5,850	—
	13,466	59,624
3 Exceptional losses and provisions are in respect of	3,231,010	
Advances to and investments in associated companies	372,823	
Other advances	89,365	
Fixed assets	419,547	
Goodwill	—	
Loss for year ended 31st January 1967 in subsidiary, attributable to minority members	12,032	
	4,124,577	
4 The exceptional losses and provisions in note 3 above are mainly attributable to advances and investment in previous years.		
5 Dividends		
Preference dividends, on		
180,000 8 per cent Cumulative Redeemable Preference Shares 1975/80	7,200	7,200
Half year ended 31st July 1966	—	—
Half year ended 31st January 1967	—	—
250,000 5 per cent Cumulative Participating Preference Shares	6,250	6,250
Half year ended 31st July 1966	—	13,750
Half year ended 31st January 1967	—	139,663
Ordinary dividends	—	—
Less Income tax deducted and retained	13,450	174,263
	13,450	71,884
	—	102,379
6 Net debit balances on Profit and Loss Accounts of subsidiaries Less provision therefor in accounts of Capital Finance Company Limited	365,335	365,335

The Notes on page [adjoining column] form an integral part of this account.

Consolidated Balance Sheet

As at 31st January 1967

	£	£	£	1966 £
Fixed assets—note 7			1,474,960	1,631,921
Associated companies—note 8			4,808,881	6,470,274
Goodwill, less amount written off			—	419,547
Current assets				
Stocks—note 9	501,501			580,856
Hire purchase and other finance debtors, less provision for bad debts	8,888,300			9,510,655
Less Finance charges accruing subsequent to 31st January 1967	933,907			874,678
Sundry debtors	7,954,393			8,635,977
Cash and bank balances	398,049			543,834
	65,570			1,096,633
		8,919,513		10,857,300
		15,203,354		19,379,042
Less				
Current liabilities				
Bills payable	50,000			1,674,167
Short term deposits	11,723,281			6,628,425
Bank overdrafts	2,235,992			4,599,836
Sundry creditors and accrued charges	562,501			481,109
Taxation	99,749			49,647
Dividends	—			61,610
		14,671,523		13,494,794
		531,831		5,884,248
	226,763			251,215
	10,098			7,986
Less				
Long term loans—note 10				259,201
Minority interests		236,861		
Net assets subject to 7½ per cent Unsecured Loan Stock 1990		294,970		5,625,047
Deduct Deferred creditor—note 17		3,000,000		3,000,000
7½ per cent Unsecured Loan Stock 1990				2,625,047
Deficiency of assets [1966—surplus] after deduction of Loan Stock		2,705,030		
Made up thus:—				
Share capital of Capital Finance Company Limited—note 18	1,923,909			1,923,909
Capital reserve—note 19	610,255			31,184
Share premium account	2,534,164			610,255
Deduct Debt balance [1966—add credit balance] on Consolidated Profit and Loss Account	5,239,194			2,565,348
		2,705,030		59,699
				2,625,047

The Notes on page [adjoining column], and Notes 17, 18 and 19 on pages [828–829], form an integral part of this Consolidated Balance Sheet.

Notes to Consolidated Balance Sheet

at 31st January 1967

- 7 Fixed assets
- | | £ | £ | £ | 1966
£ |
|--------------------------------------------|-----------|---------|-----------|-----------|
| Cost | | | | |
| Freehold land and buildings | 1,284,073 | 39,996 | 1,244,077 | 1,286,970 |
| Leasehold property | 56,484 | 40,422 | 16,062 | 54,119 |
| Office and garage equipment and motor cars | 330,875 | 182,674 | 148,201 | 173,816 |
| Equipment on lease | 119,559 | 52,959 | 66,620 | 117,016 |
| | 1,790,991 | 316,031 | 1,474,960 | 1,631,921 |
| | 1,752,693 | 120,772 | | |
- Note.—'Cost' includes valuations in respect of certain freehold and leasehold properties.
- 8 Associated companies
- | | £ | £ | £ | 1966
£ |
|----------------------------------------------------------------|---|---|---|-----------|
| Trade investments (unquoted) at cost, less amounts written off | | | | 513,680 |
| Advances to associated companies, less provisions | | | | 4,295,201 |
| | | | | 5,948,471 |
| | | | | 4,808,881 |
| | | | | 6,470,274 |
- 9 Stocks are valued at the lower of cost and estimated net realisable value.
- 10 Long term loans
- | | £ | £ | £ | 1966
£ |
|-----------|---|---|---|-----------|
| Secured | | | | 144,646 |
| Unsecured | | | | 82,117 |
| | | | | 94,034 |
| | | | | 251,215 |
- The secured loan is stated after deduction of premiums paid amounting to £25,354 under a sinking fund policy taken out by a subsidiary to provide for repayment on 28th May 1987 of a loan of £170,000 secured on the freehold property of that company. At 31st January 1967 the surrender value of the policy was £22,316.
- 11 Contingent liabilities
- There are contingent liabilities in respect of:—
- Guarantees given by the group in the normal course of its finance and motor business against the majority of which claims for recovery are competent.
- A guarantee given in respect of the bank overdraft of an associated company up to an amount of £50,000.
- An indemnity given to an associated company; provision has been made to the estimated extent of this liability.
- 12 There are no capital commitments at 31st January 1967 [1966—£4,716].
- 13 Arrears of preference dividends
- No provision has been made for dividends for the half year to 31st January 1967 on both classes of Preference Shares of Capital Finance Company Limited, amounting to £13,450 (gross). No dividends have been paid by a subsidiary on 2,050.8 per cent Redeemable Cumulative Preference Shares of £1 each, held by minority holders, since their issue in May 1957; arrears amount to £1,599 (gross) [1966—£1,435]; the shares are redeemable at any time at the option of the subsidiary.

CAPITAL FINANCE COMPANY LIMITED

Balance Sheet

as at 31st January 1967

	£	£	1966 £
Fixed assets—note 14		239,110	278,466
Investments in subsidiary companies—note 15		5,691,884	6,034,164
Associated companies—note 16		4,670,499	6,463,616
Current assets			
Hire purchase and other finance debtors, less provision for bad debts	3,530,877		4,281,048
Less Finance charges accruing subsequent to 31st January 1967	212,454		216,868
	3,318,423		4,064,180
Sundry debtors	70,008		151,844
Cash and bank balances	27,881		1,031,710
		3,416,312	5,247,734
		14,017,805	18,023,980

Less

Current liabilities			
Bills payable	50,000		1,674,167
Short term deposits	11,723,281		6,628,425
Bank overdrafts	1,764,371		3,937,678
Sundry creditors and accrued charges	107,370		108,293
Taxation	77,813		23,700
Dividends	—		61,610
		13,722,835	12,433,873
		294,970	5,590,107
Net assets subject to 7½ per cent Unsecured Loan Stock 1990		3,000,000	3,000,000
Deduct Deferred creditor—note 17		2,705,030	2,590,107
7½ per cent Unsecured Loan Stock 1990			
Deficiency of assets [1966—surplus] after deduction of Loan Stock			
Made up thus—			
Share capital—note 18	1,923,909		1,923,909
Capital reserve—note 19	—		31,184
Share premium account	610,255		610,255
	2,534,164		2,565,348
Deduct Debit balance [1966—add credit balance] on Profit and Loss Account	5,239,194		24,759
	2,705,030		2,590,107

F. S. JAMIESON
T. G. WATERLOW
Directors

The Notes on page [adjoining column and page 829] form an integral part of this Balance Sheet.

Notes to Balance Sheet

at 31st January 1967

	£	£	Depreciation to date	£	Net	1966 £
14 Fixed assets						
Freehold land and buildings	123,935		—		123,935	90,755
Leasehold property	4,270		1,400		2,870	4,270
Office equipment and motor cars	106,690		61,005		45,685	66,425
Equipment on lease	119,559		52,939		66,620	117,016
	354,454		115,344		239,110	278,466
	344,483		66,017			

Note—'Cost' includes valuations in respect of certain freehold and leasehold properties.

15

Investments in subsidiary companies
Shares at cost, less amounts written off
Amounts owing on loan and current account,
less provisions for losses

	97,992	586,265
	5,663,252	5,447,899
	5,761,244	6,034,164
	69,360	—
	5,691,884	6,034,164

Less Amounts due on current account

16

Associated companies
Trade investments (unquoted) at cost, less amounts written off
Advances to associated companies, less provisions

	501,160	521,783
	4,169,339	5,941,833
	4,670,499	6,463,616

7½ per cent Unsecured Loan Stock 1990

This is deferred to all other creditors in a winding up. The principal moneys secured by the Loan Stock become immediately payable on the occurrence of certain events detailed in the Schedule to the Minute of Agreement between the company and The Standard Life Assurance Company (the note holder) dated 24th December 1965. The events include: default for twenty-eight days in the payment of interest; winding up of the company; acquisition of more than 50 per cent of the Ordinary Stock of the company by a party other than the note holder coupled with the calling-in of the principal moneys by the note holder; borrowings of the company exceeding the amount calculated in accordance with the requirements of the Schedule and the note holder giving the company three months' notice in writing; amalgamation of the company with any other company or the acquisition of control by the company of any other company without the consent of the note holder. The borrowings of the company at 31st January 1967 exceeded the amount calculated in accordance with the said Schedule; on 27th November 1967 the company received intimation from the note holder that the latter does not presently intend to give notice requiring repayment.

18

Share capital
180,000 8 per cent Cumulative Redeemable Preference Shares
1975/80 of £1 each
250,000 5 per cent Cumulative Participating Preference Shares
of £1 each
5,975,636 Ordinary Stock Units of 5/- each
Unallocated Shares of £1 each

	Issued and Fully Paid	Authorised
	£	£
	180,000	180,000
	250,000	250,000
	1,493,909	1,493,909
	576,091	—
	2,500,000	1,923,909

Note—180,000 8 per cent Cumulative Redeemable Preference Shares are redeemable at par at any date between 31st January 1975 and 31st January 1980, on six months' notice by the company, together with any arrears of net dividend.

CAPITAL FINANCE COMPANY LIMITED

19	Capital reserve	£	31,184
	Balance as at 31st January 1966		1,589
	Less—Additional costs of realisations of investments		29,595
			<u>29,595</u>
	Less—Utilised in writing down cost of trade investments		
20	Contingent liabilities		
	There are contingent liabilities in respect of guarantees given by the company in the normal course of its business against which claims for recovery may be competent.		
	Guarantees given in respect of the bank overdrafts of certain subsidiary and associated companies up to an amount of £745,000.		
	An indemnity given to an associated company; provision has been made to the estimated extent of this liability.		
21	There are no capital commitments at 31st January 1967 [1966—£4,716].		
22	Arrears of preference dividends		
	No provision has been made for dividends for the half year to 31st January 1967 on both classes of Preference Shares, amounting to £13,450 (gross).		

Report of the Auditors

We report to the members of CAPITAL FINANCE COMPANY LIMITED that:

- (i) We have audited the books and accounts of the company for the year ended 31st January 1967 and, subject to (ii) below, have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and the foregoing Balance Sheet is in agreement therewith and gives the information required by the Companies Act 1948.
- (ii) Recent audited accounts of certain associated companies are not available and we are unable to express any opinion on the adequacy of the provision of £522,584 made against anticipated loss on the debts (included in 'advances to associated companies' at an amount, after deduction of such provision, of £263,076) due to the company by these concerns.
- (iii) In the light of the information and explanations at present available, the other provisions made and amounts written off appear to us to be adequate to cover other anticipated losses, but the situation in relation to certain of the (a) trade investments, (b) advances to other associated companies and (c) other finance debtors is complex, and such provisions and amounts in aggregate may ultimately prove to be more or less than adequate for the purpose.
- (iv) In our opinion, subject to the remarks in (ii) and (iii) above,

- (a) the said Balance Sheet gives a true and fair view of the state of the company's affairs as at 31st January 1967 and
- (b) the foregoing Consolidated Balance Sheet and Consolidated Profit and Loss Account, which have been prepared in accordance with the provisions of the said Act from the audited accounts of the company and of its subsidiaries, some of which have not been audited by us, give a true and fair view of the state of affairs as at 31st January 1967 and, subject also to Note 4, of the loss for the year ended on that date, of the company and its subsidiaries so far as concerns the members of the company.

Thomson McLintock & Co.
Chartered Accountants

Edinburgh
27th November 1967

CITY NOTES

JUST when stock-markets were settling down to the 'sideways' tendency freely forecast, there seems to be developing a set of conditions very similar to those ruling before devaluation. Institutional buying of equities is regaining strength, and rank and file investors still pin their faith – or rather their fear – on this section of the market.

They do so mainly because of continuing doubt about the Government's ability to make devaluation work and because of the fear that without devaluation working, inflation will become rife. It is probably just as well that these rank and file equity buyers cannot hear some of the defeatist forecasts and rumours being exchanged in the City.

That equities should continue to be supported at current prices is in itself critical comment on public estimation of the Government's ability to handle the present situation. The fear is that taxation will again be increased to meet a level of Government spending which will be the subject of only token cuts.

Introduction of fresh curbs on consumer spending is expected shortly after Parliament reassembles. This view has hardened as the result of the disastrous November trade figures. But the root fear remains that – not for the first time – the Government will attempt economic correction by ineffective half measures taken too late. Hence the continuing move into equities on an inflation protection basis.

RATES AND PRICES

Closing prices, Monday, December 18th, 1966

Tax Reserve Certificates (29/11/67): Companies 4½%;
3% surrendered for cash; Personal 4%

Bank Rate

June 3, 1965	6%	May 4, 1967	5½%
July 14, 1966	7%	Oct. 19, 1967	6%
Jan. 26, 1967	6½%	Nov. 9, 1967	6½%
Mar. 16, 1967	6%	Nov. 18, 1967	8%

Treasury Bills

Oct. 13	£5 9s 6.39d%	Nov. 17	£6 8s 3.10d%
Oct. 20	£5 14s 6.92d%	Nov. 24	£7 11s 0.82d%
Oct. 27	£5 14s 6.36d%	Dec. 1	£7 11s 0.31d%
Nov. 3	£5 17s 1.93d%	Dec. 8	£7 11s 0.2d%
Nov. 10	£6 7s 3.10d%	Dec. 15	£7 10s 6.62d%

Money Rates

Day to day	6½–7½%	Bank Bills	
7 days	6½–7½%	2 months	7½–7½%
Fine Trade Bills		3 months	7½–7½%
3 months	9–9½%	4 months	7½–7½%
4 months	9–9½%	6 months	7½–7½%
6 months	9½–10%		

Foreign Exchanges

New York	2.40 1/16	Frankfurt	9.56
Montreal	2.50 7/16	Milan	1499
Amsterdam	8.63 3/16	Oslo	17.15 3/4
Brussels	119.20 3/4	Paris	11.76 1/4
Copenhagen	17.90	Zürich	10.36 1/8

Gilt-edged

Consols 4%	56 3/8	Funding 6% 1993 ..	85 7/8
Consols 2½%	34 1/16	Savings 3% 60–70 ..	88 3/4
Conversion 3½% ..	49 1/4	Savings 3% 65–75 ..	74 3/8
Conversion 5% 1971	92 3/8	Treasury 6½% 1976	97 1/8
Conversion 5½% 1974	88 1/8	Treasury 3½% 77–80	73 1/8
Conversion 6% 1972	94 1/8	Treasury 3½% 79–81	71
Funding 3½% 99–04	53 1/8	Treasury 5% 86–89	76 1/8
Funding 4% 60–90	94 3/8	Treasury 5½% 08–12	78 1/4
Funding 5½% 78–80	82 1/4	Treasury 2½%	35
Funding 5½% 82–84	82 1/4	Victory 4%	96
Funding 5½% 87–91	83 1/8	War Loan 3½%	48 3/8

Correspondence

Static Payroll System Sought

SIR, - I am the accountant of a group of companies which has a very large monthly payroll. Since the turnover of our monthly staff is not large and salaries generally are only adjusted once a year, a great majority of all the entries on each month's payroll are a repetition of the previous month, the main variation being in National Health Insurance contributions (i.e. four or five weeks).

It seems to me that a great deal of routine clerical work could be avoided if agreed net payments could be made for eleven months, correcting for income tax and other adjustments in the final month.

Of course the system would need to provide for changes in salary, tax code, etc., during the year but in this organization these would not be relatively very many.

No doubt this kind of system must have been considered by many people and perhaps adopted by some. I am anxious to hear from anyone who has developed a system of this kind and especially as to whether the practical results were worth while.

Yours faithfully,

Wembley, Middx.

R. S. MARTIN.

Responsibility in an Industrial Society

SIR, - It seems that many adults still believe in the existence of Father Christmas, including a number of members of the House of Commons, some of whom have expressed their amazement that the recent international borrowing as a way out of our financial crisis has strings attached to it because foreign creditors want to be assured that we mean business.

Behind the intricate mechanism of international finance lie one or two simple principles. We all know that the fundamental remedy is to work harder and curtail our personal and national spending until the country succeeds in paying its way. Unfortunately, everybody expects the *other* man to work harder and to cut *his* spending. It is equally obvious that we cannot switch to a huge export drive if foreign customers cannot be guaranteed delivery of goods because of dock or rail strikes. Nor can the investment of large sums of money per operative in plant and machinery become an economic proposition unless absenteeism and demarcation disputes are outlawed by willing workers, and management ensure that full use is made of our resources.

Modern technology and material progress have brought to the community a better life, which is characterized by new freedoms - freedom from sweated labour, from the fear of unemployment or illness; freedom to do as you

please. All this is obvious. What does not appear to be obvious to everyone is that in a world of prosperity and technology, the new atmosphere of freedom demands a new level of social and personal responsibility.

First, the new freedom has taken the old compulsion and fear out of work: men don't live in fear of the boss or of the sack. They don't face terrible hardship if they are ill and they have the security of the social services and comparatively full employment. This represents one of the great achievements of our modern society; but this freedom can be abused as we all know.

Secondly, the new security means that men are not to the same extent bound together in mutual dependence by the need to protect one another against hardship. The struggles which bound them together in the trade union movement have largely been won. It is easy to leave affairs to a few dedicated, or unscrupulous, men as the case may be; but we still have official and unofficial strikes despite the existence of impartial arbitration machinery.

Thirdly, it is easy for managers (with the increasing pressures to which they are subject) to lose their sense of responsibility for the good of their people, or it is difficult to find the opportunity to give it expression.

Finally, in modern society we have largely discarded the moral, religious, and sometimes puritanical restraints which older men knew. They will tell you that in their younger days they were made to go to church on Sundays and had instilled into them a respect for property, for authority, and for accepted codes of moral behaviour. No doubt they may exaggerate, but it is true that younger men have not known the same restraint and many young people dislike rules altogether. In the new atmosphere of freedom, people cannot be compelled to live moral and socially co-operative lives, and the situation calls for a new sense of personal and social responsibility. Our present position as a nation is without doubt a moral challenge, even if short-term solutions can be expressed in economic terms; and public leadership is conspicuous by its absence.

To many people, Christianity and the Church seem irrelevant to this situation. They say that the Church needs to share its interest in the renewal of man, who has outgrown many of the formulas of the old faiths, but has found no new faith to replace them. The strange thing about these debunkers of religion is that they rarely suggest what should take its place; is the emergence of the permissive society (do as you please because the world owes us a living) intended as the answer? If it is, the cloud cuckoo-land of Greek mythology has become a pleasant reality. Any generalization that decries British life, or that of any country, does less than justice to the good that many individuals do and the standards they keep; on the other hand if the heaven is gradually submerged, what becomes of the bread?

In face of this, the Church and its teachings, which have been the basis of our western civilization for the past two thousand years, must show through its members that its gospel carries with it a demonstration of the value of the individual in God's sight; that religion is for the inner participation of the whole man (through the example of Jesus Christ) in caring for his brethren as he would care for himself, and perhaps, most of all, for seeking that inner peace with his Creator, which passes all understanding.

Yours faithfully,

Bury, Lancs.

J. M. FARRADAY, J.P., F.C.A.

Preparing for Decimals

ADDRESSING a recent meeting of the London Branch of The Institute of Office Management, Mr N. E. A. Moore, Secretary of the Decimal Currency Board, referred to the provisions of the Decimal Currency Act and went on to discuss some of the conversion problems.

The actual date for conversion in 1971 has not been decided but it is likely to be on a Monday about the middle of February. This will be decided and published in a second Act in 1968-69, which will cover other vital points such as the conversion rates and the validity of contracts drawn up in sterling before that date.

The new currency

The new coins will be $\frac{1}{2}$, 1 and 2 new pence in bronze with a plain edge; 5 and 10 new pence in cupro-nickel with a milled edge, corresponding in size but not in marking with the present 1s and 2s pieces. There will also be a 50 new pence coin in a metal yet to be announced, which will replace the 10s note. The bronze coins will appear on D-day (decimal day), and possibly the 5, 10 and 50 pence coins may appear before this to allow familiarization.

The present 1d, 3d and 6d coins will be withdrawn as soon as possible after D-day, whilst the $\frac{1}{2}$ d and 2s 6d coins may not be issued for some period beforehand to restrict the number in circulation. The lowest value coin after the introduction of decimalization will be the half new penny, which has a value of 1.2d on present coinage.

There will be a period of dual currency estimated at not longer than two years, but here Mr Moore made it plain that if Britain followed the pattern of decimalization in Australia, New Zealand and South Africa then the entire changeover period might even be shorter.

Shops will mark up prices in both currencies beforehand, but on the introduction of the new coinage they will have to choose one currency or the other, depending on whether their cash registers have been converted. In those shops which have, calculations and change will be given in the new currency. Where conversion has not been made, then sterling change will be given. Also on D-day banks will switch over to the new coinage and all cheques and other documents will be in the new currency. There was a possibility, he added, that banks may close from the Thursday before D-day to allow them to get the changeover organized.

Decimal education

To prepare the way for the introduction of decimalization, a nation-wide campaign will be launched to teach all sections of the public to think and count in decimals which will include the issue of booklets and pocket conversion tables. Mr Moore said that he saw no problems apart from items below 6d where there was no exact equivalent in the new currency.

Well before 1971, he suggested that organizations should appoint personnel to act as decimalization officers to solve any internal problems and to arrange for staff training. They should also examine such items as invoices, pur-

chase orders, price lists, job cards, and sales literature.

Accountants and O. & M. officers should familiarize themselves with any accounting machine problems, with a view to getting existing machines converted or buying new equipment. There would be no general scheme of compensation, so companies must work out how best to defray costs. However, the Decimal Currency Board were empowered to examine claims if particular companies considered that the expenses involved proved to be excessively costly.

The other speaker at the meeting, Mr H. G. Sledmere, manager of the Decimalization Department of The National Cash Register Co Ltd, spoke with feeling about the problems of the machine manufacturers.

He pleaded with those present to look at their problems arising through conversion as soon as possible, as there was no point in waiting with everyone else until 1971, and then expecting conversion to take place overnight.

As shop assistants sometimes appeared to have difficulty in adding up prices correctly, retailers should obtain machines which did the adding up automatically. This would ease the problems of shop staff with the new currency. He also suggested that those accountants and managers who came in contact with the smaller shopkeepers should make a plea for early conversion of their machines, and pointed out that in Australia many of the shops and offices who did not convert before their D-day lost goodwill and business built up over the course of years.

He added that it would be necessary to plan well ahead for computer programs, as you cannot just say to a computer, 'Tomorrow you will decimalize', if today it is working in £ s d.

Cost of machine conversion

Mr Sledmere said that his own company were examining associated problems thrown up during investigation for conversion, such as the rounding off of internal accounting records - that is rounding amounts above 10s up to £1, and those below down to nothing. In a figure of £ $\frac{3}{4}$ million over dozens of accounts there was only a few £s difference to full accuracy.

By 1971, he went on, there were expected to be over seven hundred thousand cash registers in use. If every one of these had to be converted, it meant that if a start were made now, there would have to be 1,500 machines converted every working day up to D-day. In addition, there were over one and a quarter million adding and accounting machines, cheque writers, etc., and over eleven million coin-operated machines of which 3 million would need conversion.

It would cost approximately £20 to convert a cash register and £100 upwards to convert an accounting machine, depending on the age and complexity. Some may not be worth conversion and should therefore be replaced with a dual currency machine.

He concluded by reminding his audience that 'we are nearly one-third of the way through the period since the Bill was passed before decimalization is upon us'.

Professional Staff Training

London Chartered Accountants' Symposium

INTERNAL staff training in practising accountants' offices was the subject of a half-day symposium held under the auspices of the London and District Society of Chartered Accountants at the Connaught Rooms, Great Queen Street, on Tuesday of last week. Organized by Mr K. A. Sherwood, A.C.A., the conference was presided over by Mr J. A. Allen, F.C.A., Chairman of the Society, and the most interesting discussions which took place were admirably initiated with short addresses by Mr A. T. Spittle, B.COM., F.C.A., of Messrs Deloitte, Plender, Griffiths & Co, who described his firm's comprehensive training programme, and by Mr M. A. Brecknell, B.SC.(ECON.), A.C.A., of Messrs Baker, Sutton & Co, who dealt with some of the problems which arise on considering the initial development of a training programme.

The general problem as seen by members of the symposium and some of the suggestions which emerged for tackling it are reported below.

The problem

The firm has to maintain good professional standards. How may this be done in the face of the ever-increasing complexity in legislation and in the variety of clients' problems and the services they demand? Staff costs and salaries are continually rising, while at the same time staff are being asked to undertake more complex and more responsible work – all of which involves (or should do) a thorough knowledge of modern procedures and practice.

Many firms, of course, make little or no attempt to train staff on an organized basis, and it is small wonder that they have difficulty in obtaining – and retraining – them. One of the first things most good men ask when being interviewed is to see the training programme. The newly-qualified man has been accustomed to learning in an organized way for up to ten years. He usually wants to continue to learn; and he wants to be able to do this in a business-like and organized manner. He therefore wants to feel that his employer considers this to be equally as important as work for clients.

The firm, on the other hand, has to get the best possible use out of the talents of each member of the team; and to increase staff efficiency and competence. Organized training can help a great deal in achieving these objectives.

Where to begin?

The first step in initiating a training programme is to standardize the firm's policies, procedures and practices. This, of course, is easier said than done. It has to be done, however, and is in itself worth the effort in the long term.

A partner should assume responsibility for the programme, and he should be the one who is best able to convey ideas – not necessarily the most competent! It's the singer – not the composer – who conveys the message; therefore, choose the best singers!

Just as all rank-and-file staff should be included in the training programme, all supervisory staff should take their turn in acting as session leaders. Younger supervisors can lead lower grade sessions.

In general, training should be concentrated in areas covering the type of service provided by the firm. Occasional sessions, however, should be devoted to other areas – for example, professional negligence, estate duty planning, etc.

Learning from others

Many of the larger firms run periodical one-day and one-week courses for staff – sometimes in the office; often at the seaside. One-day introductory courses are held for newly joined junior staff, dealing with the history of the firm, administration and practice. First-year qualified men attend a course on fundamental subjects such as internal control, verification of assets, etc. Second-year men tackle prospectuses, group accounts, and so on.

At all stages case studies are freely used; this is a most effective way of teaching. The aim is always to concentrate on practical aspects with the leader well in control of the session. Aimless discussion should always be avoided and there should be a general summing-up at the end.

At the end of three years, courses are run for men promoted to supervisory status, to train them how to act as supervisors. Contrary to dogma held in some quarters, a manager is not *born* a manager – nor does a manager *have* to be born a manager.

Some firms hold residential seminars – somewhat on the lines of the Institute's summer courses. Such seminars bind the team together and raise morale; thus the firm benefits in getting the most out of its staff. But seminars, it was pointed out, cannot satisfactorily be run in the atmosphere of the office. They should take place outside in a hall or an hotel.

Firms also hold intensive courses on new legislation; others produce and circulate regular internal bulletins or 'house' journals. A number of firms provide library facilities for staff. A library should be well-planned. The books should not all be kept in the partners' room; the staff need them as well – perhaps more so!

Basic principles

Training should be partly in the firm's time and partly out of office hours – both firm and staff contributing in this way, yet of course both gain. Training meetings should be held in quiet, well-ventilated rooms, with the furnishing not too comfortable – nor yet too uncomfortable!

If the firm is big enough, it is essential that the staff be split into groups, each catering for staff at a similar level of competence. In order to encourage 'audience participation', there should be not more than twelve to sixteen in each group.

Free use should be made of visual methods of instruction; a blackboard is certainly a *must* – the use of an overhead projector is better still. Hand-out material should be retained by participants for reference; binders should be provided for this purpose.

Formal training should, of course, be combined and co-ordinated with on-the-job training and with the respon-

sibility for recruitment. A schedule should be maintained setting out the staff members who will be attending Institute or district society courses and meetings.

The question of cost

Training is important for all firms, irrespective of size. It is, of course, somewhat costly and time consuming. But the whole firm should accept that training is a commitment equally as important as client work. The art is to achieve the right balance between the two.

A popular suggestion was that firms might co-operate in running joint training meetings – particularly on tax. Audit subjects would not be so suitable for such combined operations until procedures become standardized. Another suggestion was that tape recordings might be taken of

addresses given to groups – with co-ordinated overhead projected illustrations. The tape and visual aid rolls could then be passed between firms.

It was the general view that the Institute should hold regular (perhaps half-yearly) courses to teach members how to teach. Teachers are seldom born such; they are created by other teachers.

It seems the general view among many small firms that technical training should be done outside the firm, yet it was observed that many do not, or rarely, send managers or seniors to the courses and meetings run by the Institute or district societies. It was added – though perhaps the suggestion is not conducive to the recruitment of volunteers – that any member of a firm who attends a conference should be under an obligation to hold a training meeting on his return to pass on what he has learnt.

Accountants' Crossword

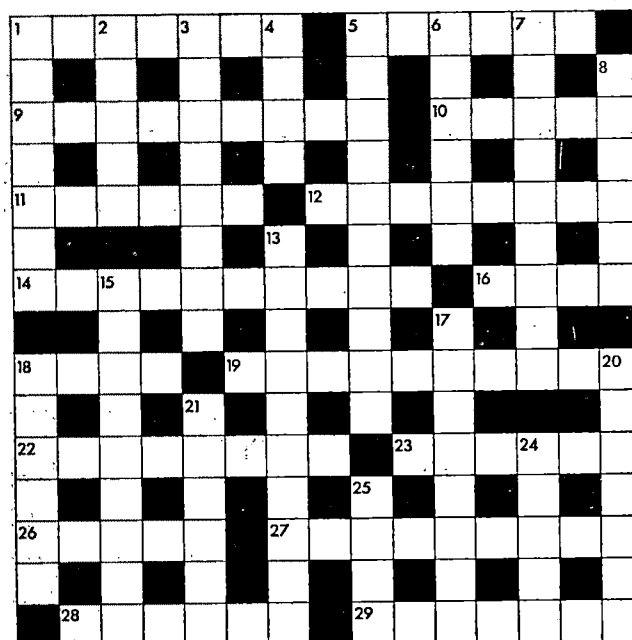
Compiled by Kenneth Trickett, F.C.A.

CLUES ACROSS

1. One might have been able to make a profit (7).
5. A public notice instead of documentary information (6).
9. Learn desultorily about the upland estate proprietor (9).
10. Deliver further supply (5).
11. Under control, but evidently not at the bank (2, 4).
12. Returns relating to places where actions are laid (8).
14. How 20 might be transferred (10).
16. What happens to be a suit (4).
18. Not written for a line without penalty (4).
19. Sounds as if the bookmaker intended an improvement in value (10).
22. There will be one more than usual in 1970 (8).
23. Each year the function is similar to 18 across (6).
26. Frequently denary if divided (5).
27. The amount of such remuneration must often include the value of 1 across (9).
28. Tax estimate (6).
29. Chosen, possibly by 25 (7).

CLUES DOWN

1. Speculator with an eye on gold or silver? (7).
2. Point to a repetition of one ordinal (5).
3. Pay the bill? This might explain the account (8).
4. They are worth many pounds and are placed in cartons (4).
5. Mere agents may complete these contracts (10).
6. Already established with cover (6).
7. The Act is confused with Rule 101 to repeat (9).
8. He should stick to his agreement to the letter (6).
13. Those who settle accounts with speed, or do they? (10).
15. Classifies men of letters (9).
17. A change of rate with certain funds in reserve (8).
18. Possibly put a different point on the circle (6).
20. Dealt with at the bar (7).



21. The converted can sue in the time allowed for payment of foreign bills (6).
24. Voter changes in public (5).
25. One to five not on, put up for election (4).

The solution will be published in next week's issue.

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The Chartered Accountant Students' Society of London

Annual Dinner at Grosvenor House

THE fifty-fourth annual dinner of The Chartered Accountant Students' Society of London was held at Grosvenor House, Park Lane, on Monday of last week, and was attended by over one thousand members and guests. Mr G. R. Appleyard, F.C.A., President of the Society, was in the chair.

In the course of proposing the toast of 'The Junior Members of the Profession', The Rev. Canon Richard Tydeman, M.A., said it would have been noticed that this year there had been a change in the wording of the toast – previously it had been 'The Students' Society', but this year it was 'The Junior Members of the Profession'. The change was a good one, because when a young man or a young woman had entered into his or her articles and started in a firm of accountants they had as much right to call themselves part of the profession as the most senior member in the house. He was sure that not a senior member present would disagree with him when he said that to be successful and to remain so in any profession meant that one never stopped learning, so from that it could be said that one never ceased to be a student.

Canon Tydeman then paid tribute to what he called 'the

new faces' that had arrived on the scene during the year – firstly, there was the new President, Mr Appleyard – and they were delighted to see his predecessor at the dinner, Mr Ernest Whinney, who had done so much for the Society over the years; there was the new Secretary, Mr Derek du Pré, and also present at the dinner was his predecessor, Mr R. J. Carter; and then there was the new Chairman of the Committee, Mr Tony Cartmell.

In calling on those present to drink the toast of 'The Junior Members of the Profession', Canon Tydeman said that they had tremendous admiration for the junior members. Coupled with the toast was the name of Mr A. J. Cartmell, the Chairman of the Committee.

Firm foundations

Replying to the toast, Mr Cartmell paid tribute to the work of Mr Christopher Burr, the previous Chairman of the Committee, who had had great enthusiasm for the job and had left firm foundations on which they had already started to build.

The student members of the Committee, said Mr Cartmell, were very conscious of the debt they owed to their principals who co-operated fully in order that they could attend as many meetings and functions connected with the Society as possible. The principals did not complain about the loss of time and without their co-operation the Society would not be able to function at all.

Good response

The arrangement of lectures and courses for articled clerks had always been difficult but at last, he felt, they had achieved success. He judged this partly on the response to their recent electronic data processing course at Nottingham and of their other day courses. Some three hundred members had attended at Nottingham, and each course was over-subscribed. Their two-day taxation course was also over-subscribed and they had arranged an identical course in March next with the same speakers so that the 'over-subscribed' members would have a chance of attending. They hoped to arrange more mechanized accounting courses and non-residential computer appreciation courses. More than one thousand five hundred articled clerks had attended the sherry parties last year and the parties had provided excellent opportunities for members to meet each other.

The annual President's Meeting had always been one of their most important events; the one on January 30th next promised to be an occasion of brilliant debate because with



The President of the Institute in conversation with Mr Christopher L. Burr, A.C.A., immediate Past Chairman of the Students' Society Committee.



Mr W. E. Parker, C.B.E., F.C.A., President of the Institute (*centre*), with Chancellor Rev. E. Garth Moore, M.A., Fellow of Corpus Christi College, Cambridge (*left*), and Mr E. F. G. Whinney, M.A., F.C.A., immediate Past President of the Students' Society.



Mr G. R. Appleyard, F.C.A., President of the Students' Society (*centre*), with Mr A. J. Cartmell, Chairman of the Students' Society Committee (*left*), and Mr J. A. Jackson, F.C.A., a member of the Council of the Institute and a Vice-President of the Students' Society.



The Rev. Canon Richard Tydeman, M.A. (*right*), who proposed the principal toast of the evening, with Mr Derek du Pré, Secretary of the Students' Society (*centre*), and Mr Donald V. House, F.C.A., a Past President of the Institute.

them at Guildhall would be no less distinguished politicians than the Rt Hon. Sir Edward Boyle, 'shadow' Minister of Education, the Rt Hon. Emanuel Shinwell and the Rt Hon. Jeremy Thorpe, Leader of the Parliamentary Liberal Party.

He added that the courses at Cambridge, already planned, promised to uphold the traditional high standards.

'Love feast'

In the course of proposing the toast of 'The Guests', Mr Christopher Burr, A.C.A., Immediate Past Chairman of the Committee, welcomed the guests to what he described as their 'love feast' – their feast of love between the whole man, the accountant, and the fair and beautiful form of financial truth. How could he single out any one guest for a warmer welcome than any other – the greeting they offered to them was as warm for the most junior in age as for the most senior.

He said that the theme of the Society's three-day residential course next spring at Cambridge University would be 'world accountancy' and one of the lectures would be on opportunities in the profession. They had that evening a practical example of the theory which would then be expounded. Among them were many who in the past saw opportunities when they had presented themselves, worked with determination and deserved much admiration and respect. He suggested that the junior members of the profession should look around them at their guests, and while appreciating the galaxy of talent, of learning, and of financial strength, see for themselves the empyrean heights to which they might one day aspire.

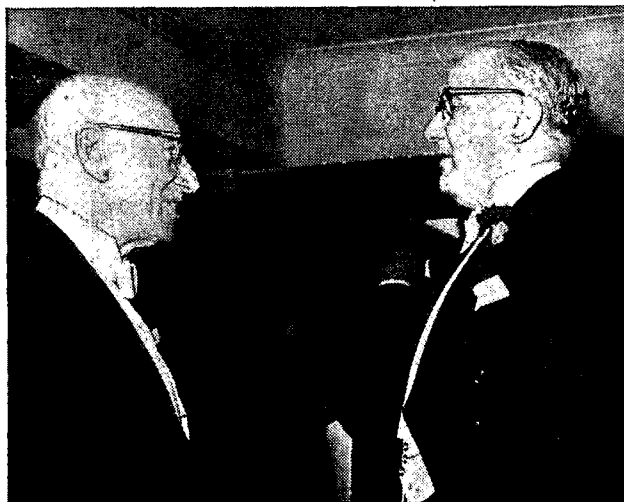
Many professions represented

Mr Burr then thanked Canon Tydeman for attending that evening and proposing the initial toast, also Sir Percy Rugg, Chairman of the Greater London Council. He added that the Bar Council, the Law Society, the Church, the Universities and the Civil Service, were among the

many professions represented at the dinner and to each representative they extended their greeting and thanked them for joining their party.

He also extended a warm welcome to Mr Lance Milne, Agent-General and Trade Commissioner for South Australia; Mr W. E. Parker, President of The Institute of Chartered Accountants in England and Wales, and the Deputy President, Mr Stanley Dixon; and Mr J. A. Allen, Chairman of the London and District Society – there had been great co-operation between the two Societies throughout the past year, he said.

Mr Burr also paid tribute to the work of Mr Whinney, saying that during his period as President he had inspired in them all feelings of admiration, but perhaps above all, of affection. They were very happy to see him amongst them



Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., a Past President of the Institute and of the Students' Society (*left*), with Mr G. R. Appleyard, F.C.A., President of the Society.

and to see for themselves that he had fully recovered from his illness.

Thanks were also expressed to the Committee of the Society for their hard work during the year and Mr Burr wished Mr Tony Cartmell and Miss Ann Dent every success in their respective offices of Chairman and Vice-Chairman of the Society. He said that the Society were also greatly indebted to Mr Derek du Pré, the Secretary, for all his very hard work.

A 'thought' for members

In replying to the toast, the President of the Institute, Mr W. E. Parker, C.B.E., F.C.A., thanked the members for their hospitality and said that the thought he would like to leave with the student members was 'strive after simplicity'. The whole trend of modern civilization and particularly of life today, he said, seemed to be towards complexity coupled with 'dressing up mutton as lamb' in the sense of parading old ideas as new inventions with a glamorous title. And yet the mark of all really great men was to see in complex problems the simple issues which underlie them – to cut through the complexity and the jargon to the roots of the problem and then to see it and expound it in its simplest terms. We were indeed in danger of being blinded by science and technology and the jargon that went with it, he said; for when there was a choice between the complex and the simple exposition the tendency nowadays seemed always to be to choose the complex one.

An obvious example

To take an obvious example which had been picked up by the professional Press – why on earth had the devaluation of the £ by one-seventh been described almost universally as a devaluation by about 14.3 per cent? It was so easy to see that if the foreign exchange value of the £ had been reduced by one-seventh, the sterling cost of the foreign currency would be greater by one-sixth. If, however, the £ was described as being worth 14.3 per cent less, one had to resort to long-division, a slide-rule or even a calculating machine to find out that the cost of the foreign currency was increased by 16.6 per cent, with a recurring decimal.

Again, what was the magical new thing called the price/earnings ratio? It was something which they as accountants in valuing a business had known for years as 'the number of years' purchase of the earnings', and it was a highly inconvenient way of expressing the relationship between earnings and price when the corresponding relationship of the dividend paid out of those earnings was expressed quite naturally not as a ratio but as a percentage. How much easier to say that on a particular price the dividend yields 5 per cent out of earnings equivalent to 8 per cent, than to say that the dividend yields 5 per cent and the price/earnings ratio is 12.5.

Another 'new' technique

Then, again, what about the wonderful new technique described as 'discounted cash flow'? That was simply a glamorous title for the application to investment propositions of principles of elementary arithmetic which, for his own part, he had learned at his preparatory school. Their application was extremely useful, but all that was new was



Mr George Whillans, F.I.B., F.T.I.I., President of The Institute of Taxation (*left*), and Professor A. R. Ilesic, M.Sc.(Econ.), B.Com.

the fact that that usefulness was now becoming more widely recognized.

Those were just some of the topical and rudimentary examples to illustrate his point, said Mr Parker. Accountants had a tremendously important role to play in the tasks of interpretation and communication; and surely, as accountants, they of all people, ought to be able to reduce things to simple terms and to simple and forthright language which ordinary human beings could be expected to understand.



Mr Stanley Dixon, M.A., F.C.A., Deputy President of the Institute (*right*), checks the toast list with Mr E. F. G. Whinney, M.A., F.C.A.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS THORNTON & CO, Chartered Accountants, of 54 Castle Street, Liverpool 2, deeply regret to announce the death of their senior partner, Mr A. C. Thornton, F.C.A., on December 7th, 1967. The practice will be continued by the remaining partners.

MESSRS WOOD & CO, Chartered Accountants, of 1 Old Burlington Street, London W1, announce that Mr K. MALCOLM MCKENZIE, B.A., C.A., has retired from the partnership, but will continue to be available in a consultative capacity. Mr ALLAN RUSSELL, A.C.A., has been admitted as a partner as from December 1st, 1967.

Appointment

Mr Eric A. Stott, A.A.C.C.A., secretary of Crown House Investments Ltd, has been appointed assistant managing director of Webb's Crystal Glass Co Ltd, a member of the Crown House Investments group.

INVESTMENT GRANTS

The Board of Trade have announced that their investment grant offices will be ready from January 1st to receive applications for investment grants under the Industrial Development Act 1966 in respect of expenditure incurred between April 1st, 1967, and June 30th, 1967. Payment on these applications will start as soon as possible after April 1st, 1968.

These claims will be eligible for the increased rates of 45 per cent in the development areas and 25 per cent elsewhere which the Government introduced in December 1966 to encourage additional investment during 1967 and 1968.

IN PARLIAMENT

Stamp Duty: Shipping Industry

MR PRIOR asked the Chancellor of the Exchequer (1) for how long Stamp Duty has been charged on all ship mortgage finance; what is the additional cost of this proposal to the shipping industry; and what representations have been made to him to waive the charge;

(2) whether he is aware of the increasing anxiety caused to industry by the levying of new charges, such as Stamp Duty on all ship mortgages; and what consultations he has held with the shipping industry on this subject.

Mr HAROLD LEVER: As from August 1st, 1967, loan capital duty at the rate of 10s per £100 is chargeable on loan capital raised by companies unless the loan is repayable within five years or at the creditors' option on not more than twelve months' notice. A mortgage deed in respect of a ship is itself exempt from Stamp Duty. I have received no representations from the shipping industry as to the effect on them of the charge to loan capital duty.

Hansard, December 12th, 1967. Written answers, col. 89.

Companies: Political Contributions

MR WHITAKER asked the President of the Board of Trade whether he will now introduce legislation to give shareholders the right to contract out of contributions paid by their company to political causes, similar to the right of trade unionists to contract out.

Mr DARLING: No. Information about political contributions by companies will soon have to be published in accordance with the Companies Act 1967, and that, in my view, will give shareholders sufficient protection.

Hansard, December 11th, 1967. Written answers, col. 66.

CENSUS FOR PRODUCTION FOR 1968

The Board of Trade announce that the next detailed Census of Production will be taken in 1969, in respect of business done in 1968. A detailed census of this kind is now taken only once in five years, the last one having related to 1963.

The census for 1968 will include, *inter alia*, questions about the different classes of goods bought and sold and about certain business expenses. Full particulars will be required only from firms employing twenty-five or more

persons. Firms employing fewer than twenty-five persons will be required to make a return stating the number of persons employed and the nature of their business.

Specimen copies of the forms for larger firms will be issued shortly in order to give an indication of the details which will be required when the forms for completion are sent out in January 1969. Due to the revision of the standard industrial classification which is now being undertaken, some firms may receive a specimen form different in industry title and general content from that received in previous censuses. Questions to be included in the forms will cover:

1. Details of business.
2. Working proprietors.
3. Employment.
4. Wages and salaries.
5. Stocks.
6. Capital expenditure.
7. Work done by other firms, transport costs and certain other expenses.
8. Details of purchases.
9. Details of sales and work done.

The information asked for in each of the sections will be similar to that in the 1963 census, except in the case of (3) from which questions about employers' National Insurance contributions and payments to superannuation and other pension funds have now been excluded.

The Board of Trade will be glad to provide any further explanation required about the census and inquiries should be addressed to the Board of Trade, Census Office, Lime Grove, Eastcote, Ruislip, Middlesex, or by telephone, 01-866 8771, ext. 125.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

The next monthly luncheon meeting of the Northern Society of Chartered Accountants will be held at the County Hotel, Neville Street, Newcastle upon Tyne, on Monday, January 14th.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the Dublin Society of Chartered Accountants will be held on January 24th, at 6 p.m., at the Royal Hibernian Hotel, Dawson Street, Dublin, when the guest speaker will be Sir Henry Benson, C.B.E., F.C.A., Immediate Past-President of

The Institute of Chartered Accountants in England and Wales.

The Society's annual dance will take place on February 3rd at the Shelbourne Hotel, Dublin.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Students' Residential Course

The second part of the eighteenth (Intermediate) students' residential course arranged by the South Eastern Society of Chartered Accountants was held at the Royal Pavilion, Brighton, from December 4th to 8th, and was attended by about eighty students.

The course was introduced by Mr D. H. Tonkinson, F.C.A., President of the Society. Mr R. O. A. Keel, F.C.A., a member of the Council of the Institute, and Mr Tonkinson spoke at the course dinner, and the Society welcomed principals of articled clerks to the dinner and other functions.

The organizers feel that considerably more students will wish to attend similar future courses and it is hoped that their attendance will again be facilitated by the co-operation given by their principals on this and previous occasions.

THE CERTIFIED ACCOUNTANTS' LODGE

Installation Meeting

The installation meeting of the Certified Accountants' Lodge was held on Monday, December 4th, at Colonial House, Mincing Lane, London EC3. The Worshipful Master, W. Bro. D. W. Page, installed his successor, W. Bro. K. H. Bickmore, who appointed the following officers for 1967-68:

Bro. H. A. P. Miller, *S.W.*; Bro. W. Rapson, *J.W.*; W. Bro. J. P. Shaw, *P.P.G.ST.B.(Herts)*, *Chaplain*; W. Bro. G. L. Barker, *P.P.A.G.D.C.* (Yorkshire N. & E. Ridings), *Treasurer*; W. Bro. C. R. M. Davidson, *Secretary*; W. Bro. John P. Landau, *P.G.ST.B., D.C.*; Bro. A. W. Nelson,

S.D.; Bro. J. K. Shaw, *J.D.*; W. Bro. R. G. L. Jobson, *A.D.C.*; W. Bro. J. H. Hills, *L.G.R., Almoner*; Bro. F. A. Gommer, *I.G.*; Bros R. A. V. Billings, A. J. Payne, L. J. Williams, C. A. Booth and J. Kennedy, *Stewards*; W. Bro. A. J. Courtney, *L.G.R., Tyler*.

The address of the Secretary of the Lodge is 8 The Chenies, Petts Wood, Kent.

BRADFORD STUDENTS' DINNER

The annual dinner of the Bradford and District Chartered Accountant Students' Society was held at the Connaught Rooms, Bradford, on Wednesday of last week, with the President, Mr D. E. Walker, LL.B., F.C.A., in the chair.

The toast of the Institute and the Bradford Students' Society was proposed by Mr Arthur Tiley, F.C.I.B., a former M.P. for Bradford West, who said the only way to acquire expertise was through examinations and qualifications. Britain, he said, had many of the best institutions and traditions in the world; yet many people spent their time in 'devaluing' this country. Accountants, he told the students, dealt with facts, and they were therefore needed today more than ever. Mr F. Dean, F.C.A., President of the Leeds, Bradford and District Society of Chartered Accountants, replied.

The toast of 'The Guests' was proposed by Mr M. R. Driver, honorary membership secretary of the Students' Society, and Mr Joseph Pinder responded.

BRITISH COMPUTER SOCIETY

A one-day symposium on 'The basis of business information' is being organized by The British Computer Society and will be held at the Connaught Rooms, Great Queen Street, London WC2, on February 16th. The symposium will seek to present to management and systems designers a framework for the development of dynamic business information systems. Among the speakers will be Professor

B. T. Houlden, Professor of Business Studies, University of Warwick, who will review the general and theoretical considerations which should govern the design of information systems; Mr B. M. Brough, head of management advisory systems, British European Airways, who will discuss the integration of management information systems and review real-time computer experience in B.E.A. and developments in progress; and Mr H. Pearman, principal implementation officer, London Boroughs Management Services Unit, who will discuss the problems of implementing current systems, and some possible future problems.

Admission to the symposium is by ticket only, costing £8 for members of the Society and £12 for non-members. Applications, which must be accompanied by remittance, should be sent to Miss G. M. Heselton, assistant secretary, The British Computer Society, 23 Dorset Square, London NW1. Accommodation is limited to 350 and tickets will be allotted in order of receipt of money. No telephone reservations will be accepted and no reserve list will be maintained.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Graduate Appointments Register: including the survey of secretarial and clerical salaries by the Alfred Marks Bureau. (Graduate Appointments Register.) 1967. (G.A.R., 105s.)

Inflation, Taxation and Executive Remuneration; by A. J. Merrett and D. A. G. Monk. 1967. (Hallam Press, 30s.)

Investment Appraisal: a practical guide to the application of discounted cash flow techniques; by A. L. Kingshott. 1967. (Ford Motor Co, 147s.)

The Measurement of Consumers' Expenditure and Behaviour in the

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

United Kingdom: 1920-1938: Vol. II; by R. Stone and D. A. Rowe. Cambridge. 1966. (C.U.P., 90s.)

An Outline of Estate Duty in Scotland; by G. H. Brown and J. M. Halliday: 3rd edition. Edinburgh. 1967. (W. Green, 30s.)

Practical Forestry for the Agent and Surveyor: (including taxation, valuation, accounts); by C. E. Hart: 2nd edition. 1967. (Estates Gazette, 63s.)

Private Spies; by R. Payne. 1967. (Arthur Barker, 25s.)

The Property Boom; by O. Marriott. 1967. (Hamish Hamilton, 42s.)

Sampling Manual for Auditors. (Institute of Internal Auditors.) New York. 1967. (I.I.A., presented.)

Time-sharing Data Processing Systems; by J. R. Ziegler. Englewood Cliffs, New Jersey. 1967. (Prentice-Hall, 84s.)

Total Systems: characteristics and implementation: a research study; by

C. C. Wendler. Cleveland, Ohio. 1966. (Systems and Procedures, 55s.)

U.K. Iron and Steel Industry Uniform Cost System: revised edition. (British Iron and Steel Federation.) 1967. (B.I. and S.F., presented, 126s.)

COURSES FOR MANAGEMENT

A three-day course on 'Operational research' is to be held in London from January 23rd to 25th. The course will be conducted by Professor B. H. P. Rivett, Professor of Operational Research at the University of Sussex. A series of one-day courses, also in London, dealing with discounted cash flow, monthly accounts, and budgetary control and standard costs is to take place at the end of January and early February as follows:

'Discount the cash flow': January 30th.

'Speed up your monthly accounts': February 1st (to be repeated in Manchester on March 28th).

'How to install budgetary control and standard costs': February 6th.

Further particulars of these and other courses are obtainable from Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., J.DIP.M.A., F.C.I.S., F.B.I.M., P.O. Box 40, Amersham, Bucks.

ECONOMIC CONDITIONS OVERSEAS

A further booklet in the 1966-67 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued covering Yugoslavia. Copies of the booklet are obtainable from H. M. Stationery Office, price 5s each.

A Christmas Dinner

The following are the answers to the general knowledge questions on earlier pages of this issue. The initial letters spell -

'I shall dine late; but the dining-room will be well lighted, the guests few and select.'

1. Id.
2. Snowden, Philip.
3. Hair.
4. Alliluyeva.
5. Lancelot.
6. Leoncavallo.
7. Demography.
8. Indiction.
9. Newman, Cardinal.
10. Estonia.
11. Leo.
12. Anne of Cleves.
13. Teratology.
14. Edward Medal.
15. Buss, Miss and Beale, Miss.
16. Uccello, Paolo.
17. Thackeray, W. M.
18. Thalia.
19. Holbein the Younger.
20. Epigraphy.
21. Delphinium.
22. Interpretation Act.
23. New York.
24. Île de France.
25. New Zealand.
26. Galbraith, J. K.
27. Rossini.
28. O'Neill, Captain Terence.
29. Octane.
30. Montcalm.
31. Walton, Sir William.
32. Ichor.
33. Lie, Trygve.
34. Liverpool.
35. Burgomaster.
36. Etymology.
37. Watts, G. F.
38. Entomology.
39. Lepanto.
40. Lovelace, Richard.

41. Lyddite.
42. Inspection.
43. Gagarin, Col Yuri.
44. Hibiscus.
45. Tweedledum and Tweedledee.
46. Eisenstein, Sergei.
47. Draconian or draconic.
48. Talleyrand.
49. Hughenden Manor.
50. Ellipse.
51. Gillyflower.
52. Ursa Minor.
53. Endymion.
54. Swift, Jonathan.
55. Tichborne case.
56. Silver spoon.
57. Finland.
58. Escoffier, Auguste.
59. Whale.
60. Arnold, Matthew.
61. Nahum.
62. Devonshire.
63. Snowdrop.
64. Eliot, George.
65. Lyonesse.
66. Exodus.
67. Chianti.
68. Tartuffe.



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According to the National Economic Development Council Report on Management Recruiting and Development some 350,000 managers are engaged in the manufacturing industry alone. Their jobs and those of their colleagues elsewhere are changing. The new breed of managers are technologically-minded men eager for the right information on which to base their decisions.

Behind the change lies the evolution of management sciences and services – among them operational research, linear programming, network analysis, systems analysis, applications of the computer, consultancy, and marketing research.

The earlier chapters of this book are devoted to planning, organization, direction and policy-making and the process of decision.

Further the author tries to show where operational research, network analysis, computer installations, and consultancy come into activities. Finally he has examined the divisions of marketing and purchasing from the standpoint of a board of directors which is responsible for discharging planning and control functions rather than with the eyes of a sales or purchasing specialist.

For the director or chief executive, his review of basic management activities should strike answering chords. For middle management it should provide a stimulus to progress towards even higher responsibilities.

For the student of management whose immediate objective is the successful completion of a degree or diploma course, or who is on the way to achieving the status of a qualified accountant, cost accountant, company secretary, work study practitioner, purchasing officer, O. & M. manager, marketing manager, or training officer there should be a special benefit to be drawn from the author's integrated approach to his subject.

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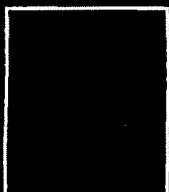
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DECEMBER 30th, 1967

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ON AUGUST 4th, 1967 – the same day that the Companies Act 1967 was published by the Stationery Office – the book *Guide to the Accounting Requirements of the Companies Acts 1948–1967* appeared. It was published by Gee & Co (Publishers) Limited for the General Educational Trust of The Institute of Chartered Accountants in England and Wales. This timely reference work is an indication of the publication services to members and non-members provided by

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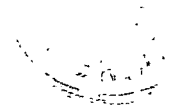
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THE ACCOUNTANT

Established 1874



Vol. CLVII. No. 4854

December 30th, 1967

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Backward Glance

PERHAPS because we are living through them, the events of the present day seem altogether larger and more momentous than the outstanding happenings of yester-years. Also, they occur more frequently and are nearly always calamitous. The prophets of doom, in consequence, have more material than ever on which to work. Yet although in the course of history many civilizations have come and gone, the 'naked ape' (to use the title of a recently published study of the human animal known as man) continues to hold his own against the unkindly elements, natural and artificial, and to adapt himself to his environment sufficiently to enable him always to look forward with hope if not with unqualified optimism.

It is in this mood of tempered cheerfulness that we, in turn, look back on the events of 1967 as far as they affected the accountancy profession. From the technical viewpoint, the principal date in a notable year was July 27th, when the new Companies Act reached the statute book. Already a number of commentaries on it have appeared and presumably many existing textbooks are even now being hurriedly revised to incorporate the new and altered provisions. By the time everyone is familiar with these changes, the next Act (to be introduced in the present Parliament) will appear and there will be a general return to 'square one'. So far practitioners appear to be finding little difficulty in points of interpretation, but the real measure of the efficacy of any major piece of legislation is the corpus of case law it creates and in this instance that, of course, has still to be established.

Another important date, the full consequences of which have also still to be assessed, was November 18th, when the devaluation of sterling was announced. The economic outlook for 1968 will be discussed in these columns next week but what we said in our leading article on the subject in our issue of November 25th, still holds good – that the success of devaluation depends on the extent to which its benefits for the export industries are not eroded by rising costs – in particular, labour costs. Already there are alarming indications that the supreme necessity for restraint is by no means fully appreciated by all classes of the community.

The advent of devaluation immediately set practitioners thinking what the effects would be on the financial accounts of companies with foreign assets and liabilities in various forms. Some senior partners whose memories were not clear on what had happened in 1931, or even 1949, looked up the bound volumes of this journal for those years. Junior partners, to whom devaluation

was a completely new phenomenon, aired a number of theories of their own. Company secretaries and accountants were bombarded with questions by their directors on the same theme. A short announcement from the Treasury on a gloomy Saturday evening in November was sufficient to expose the frailties of balance sheets based on currencies suddenly found to be imperfectly equated.

The trend towards better understanding among accountants on a global basis was further advanced by the Ninth International Congress of Accountants held in Paris in September. Again the question of imperfectly equated currencies created problems, but those members who had to utilize their precious holiday allowance to attend clearly thought the sacrifice well worth while. Another step towards international understanding among accountants was the announcement in January that representatives of the leading bodies of accountants in the United Kingdom, the United States and Canada were to meet regularly with a view to co-ordinating accounting thought and practice in these countries. The topics to be discussed are due to cover a wide field from education and training to professional relations and auditing procedures. As indicated on another page of this issue, the first of the periodic reports which the group propose to publish is to appear at the end of next month.

In 1967, the usual round of domestic conferences, courses and schools took place. Two observations may be made on the evidence of the reports of these. One is that the choice of subjects seems to be becoming more diverse, which is inevitable as the techniques of the profession become increasingly sophisticated. The second observation is that there is a pleasing custom developing of asking representatives of other professional bodies to attend. This has long been the practice at dinners and other social functions but to extend these invitations to technical sessions is indicative that the profession is drawing close together.

Another welcome sign in this direction is the progress of the talks about the scope and structure of the profession which are going on among the six leading accountancy bodies. Despite the setback to these earlier in the year when the then PRESIDENT OF THE BOARD OF TRADE announced that he had referred the question of the practices of professional bodies to the Monopolies Commission, and that the Board would not be prepared to declare its attitude to any proposals for the reshaping of the accountancy profession until the commission had presented its report, the bodies

concerned have now re-examined their scheme in the light of this statement and hope soon to put their plans before the members of the participating bodies. Politically, the main plan is to integrate members of The Association of Certified and Corporate Accountants, The Institute of Cost and Works Accountants and The Institute of Municipal Treasurers and Accountants with the members of the three Institutes of Chartered Accountants in Great Britain and Ireland and to arrange for dual or triple membership of the three enlarged Institutes. There are also a number of suggestions for training and examination requirements which may be revolutionary to some bodies and far-reaching as regards the profession as a whole. It is hoped that by next autumn the members of the six bodies concerned will have made their decisions whether or not to accept the general principles of the scheme.

The need for a strong and unified profession – which the above scheme would encourage – was demonstrated during the year by a number of irregularities in company accounts which made headline news. In one of these the board of directors removed from office the firm of auditors who had doubted the value of certain loans to associates and subsidiaries and qualified its report accordingly. The auditors' stand was vindicated when the company crashed shortly afterwards.

A second instance was when a firm of auditors failed to notice that over a period of years a director of a client company had been consistently falsifying the records. Again, the company crashed and the liquidator successfully sued the auditors for breach of duty in auditing the accounts. A third instance was when a holding company incurred an extraordinary loss of £3.6 million, because the stock and work in progress of its principal operating subsidiary had been overvalued by that amount. As a consequence, the managing director of the operating company resigned.

The above chronicle of unfortunate happenings – by no means comprehensive – is not intended to suggest what a diabolical lot directors are, but simply to indicate the tremendous power they have and what damage may be wrought if that power is mishandled or abused. With everything – as we said at the beginning of this article – nowadays seemingly larger than life, it is essential that the accountancy profession itself should grow in stature and authority if it is effectively to control these forces and to be able to continue to report confidently to shareholders that their interests are being honestly managed.

COMPANIES ACT 1967

Insurance Companies – II

AS stated in last week's article, under section 65 of the Companies Act 1967 the Board of Trade may require assets of a company, society or body, to a specified amount, to be maintained in the United Kingdom and be held in the custody of a person appointed for the purpose by the Board. But assets are only deemed to be held by a person in compliance with such a requirement if the company, society or body has given him notice to that effect, or he has transposed those assets into other assets on the instructions of the company, society or body.

Where such a requirement is imposed, rescinded or varied, the Board must give written notice of that fact to the Registrar of Companies or, in the case of a registered society, to the appropriate registrar as defined by section 73 (1) of the Industrial and Provident Societies Act 1965. Where a requirement is imposed, the notice must set out the terms of the requirement; where it is rescinded the notice must identify the requirement; and where it is varied the notice must identify the requirement and set out the terms of the variation.

A notice served on the Registrar of Companies must be open to inspection and a copy may be procured by any person on payment of such fee as the Board may direct. A certified copy will be received in evidence as if it were the original notice unless some variation between it and the original is proved. Section 71 (1) of the Industrial and Provident Societies Act 1965 (which empowers the Treasury to make regulations respecting the inspection of documents kept by the appropriate registrar under that Act) is extended to include notices served on the appropriate registrar under section 65 of the 1967 Act.

Where assets or documents of title are held in the custody of a person in compliance with a requirement under section 65, they may not be withdrawn from that custody except with the written consent of the Board of Trade. And where a mortgage or charge is created by a company, society or body on any assets or documents of title held in custody, such security will be void against the liquidator and any creditor of the company, society or body.

Section 68 of the 1967 Act empowers the Board, as regards each class of business which an insurance company is authorized to carry on, to direct that it shall be

subject to the restriction appropriate to the carrying on of business of that class (referred to below) if:

- (a) it appears to the Board that the company has failed to satisfy an obligation to which it is subject by virtue of the Insurance Companies Act 1958 or Part II of the 1967 Act;
- (b) in a case in which the company is carrying on general business, the Board are not satisfied that it is able to pay its debts, or if the company is not carrying on general business, are not satisfied that the value of its assets exceeds the amount of its liabilities, including all prospective and contingent liabilities, but excluding those in respect of share capital;
- (c) the Board are not satisfied, as regards a class of risks against which the company insures persons, that adequate re-insurance arrangements are in force, unless in the opinion of the Board it is justifiable for such arrangements not to be made;
- (d) there exists a ground on which the Board would be prohibited from issuing an authorization under section 61 of the 1967 Act because an unfit person within section 64 of the Act is associated with the company.

The Board of Trade may also direct that an insurance company shall be subject to the restriction appropriate to a particular class of business carried on by it if it appears to the Board that the company furnished to the Board misleading or inaccurate information when seeking authorization to carry on business of that class. But before imposing an appropriate restriction in the exercise of their powers under section 68 of the Act, the Board must serve written notice on the company stating that they are considering exercising the power (stating it), specifying the ground and/or particulars of the ground on which they are doing so, and inviting the company to make to the Board within a period of one month from the date of service of the notice, any representations it desires with respect to the exercise of the power. After the expiration of that period, and after taking into account any representations and affording the company an opportunity of being heard by them if it so requests, the Board may exercise the proposed power.

For the purposes of section 68 of the 1967 Act the restrictions appropriate to the relevant classes of in-

insurance business as defined by section 59 of the Act are that an insurance company within the Insurance Companies Act 1958 may not enter into or vary a contract relating to business of that class. In the case of industrial assurance, however, the restriction is that the company shall not effect a contract of insurance on human life, or a contract to pay an annuity on human life.

In the case of 'ordinary long-term insurance business' the restriction is that the company shall not effect a contract of insurance on human life or a contract to pay an annuity on human life, or a contract of insurance against personal accident, injury or disease or other contract of ordinary long-term insurance whereby, in return for one or more premiums paid to the insurer, a sum or series of sums is to become payable to the insured in the future. A company which contravenes a restriction under section 68 will be guilty of an offence and liable (a) on conviction on indictment to imprisonment for a term not exceeding two years or to a fine or both; or (b) on summary conviction to imprisonment for a term not exceeding three months or to a fine not exceeding £200 or both.

A direction given by the Board of Trade under section 68 may be withdrawn if it appears to them to be no longer necessary. But notice of the giving of a direction and of the withdrawal of a direction must be published by the Board in the *London* and *Edinburgh Gazettes* and in such other ways as appear to them expedient for informing the public.

Under section 69 of the 1967 Act an authorization to carry on business of a relevant class conferred on a company, society or body by section 61 (1) of the Act because it was carrying on business of that class before November 3rd, 1967, may be revoked by the Board of Trade if the company, society or body ceases to carry on business of that class in Great Britain. And so may an authorization issued by the Board under section 61 (2) to (i) a new company or society or in respect of a new class of business to be carried on by such company or society, or (ii) to an unincorporated body which immediately before November 3rd, 1966, was carrying on insurance business of some relevant class, in respect of a new class of business.

In a case under section 61 (2) the authorization may also be withdrawn if the company, society or body does not, before the expiration of twelve months beginning with the day next following that on which the authorization is issued, commence to carry on in Great Britain business of that class. But the revocation of an authorization is without prejudice to a subsequent issue under section 61 (2) of an authorization to carry on in Great Britain business of that class.

By virtue of section 70 (1) of the 1967 Act, the Act of 1958 will no longer apply to a company formed and

registered in Great Britain which only carries on insurance business abroad, and section 1 (3) of the 1958 Act which requires certain companies carrying on insurance business outside Great Britain to be treated for the purposes of that Act as if they were carrying on such business in Great Britain ceases to have effect. Schedule 5 to the 1967 Act amends the Act of 1958 consequential on sections 59 and 70 (1) of the 1967 Act, while Schedule 6 to the 1967 Act makes minor and consequential amendments in the 1958 Act and the Industrial Assurance Act 1923. Section 107 of the 1967 Act provides that Part II of and Schedules 5 and 6 to the Act do not apply to Northern Ireland, and under section 96 the Industrial Assurance Commissioner may, on the application of a collecting society registered in Northern Ireland by order exempt it from any provision of the Industrial Assurance Acts 1923 to 1958 if he is satisfied that the existence of a provision of an enactment of the Parliament of Northern Ireland renders it unnecessary for such first-mentioned provision to apply to the society.

Sections 71 to 77, inclusive, of the 1967 Act relate to accounts, business statements and cognate matters affecting insurance companies. Section 71 substitutes new provisions for those contained in section 4 of the 1958 Act, which relate to annual accounts and balance sheets, and makes other changes in the 1958 Act. But the Board of Trade may, on the application or with the consent of an insurance company modify, in relation to that company, any of the provisions of the new section 4 of the 1958 Act for the purpose of adapting them to the circumstances of the company. This is to avoid accounting difficulties as a result of the new classes of insurance business prescribed by section 59 (1) of the 1967 Act.

Section 72 of the 1967 Act substitutes new provisions for those in section 9 of the 1958 Act which relate to the audit of accounts. And by section 73 the Board of Trade or the Industrial Assurance Commissioner, as the case may be, may extend or shorten, for the purposes of the 1958 Act, the duration of any financial year of an insurance company to which that Act applies.

The original section 7 of the 1958 Act required a company carrying on accident insurance business to prepare annually in the prescribed form a statement of that business. A new section 7 of the 1958 Act substituted by section 74 of the 1967 Act requires insurance companies to prepare annual statements for any class of business which may be prescribed for the purpose of the section by the Board of Trade. But, again, the Board may on the application or with the consent of an insurance company, modify this requirement in relation to that company. These statements are, of course, quite distinct from the accounts which have

to be filed by insurance companies under the Companies Act 1948 as amended by the 1967 Act. Schedule VIII to the 1948 Act remains substantially unchanged in respect of insurance companies to which the 1958 Act applies.

Section 75 of the 1967 Act alters the provisions of section 8 (1) of the 1958 Act relating to the signing of accounts etc. of insurance companies. Originally section 8 (1) required the deposit at the Board of Trade of four copies of the accounts, of which one was to be signed by the chairman and two directors of the company, by the principal officer of the company and, if the company had a managing director, by the managing director. Now the accounts have to be signed by the secretary and manager, if any, and where there are two or more directors by at least two directors. This change came into operation on October 27th, 1967.

Section 76 of the 1958 Act empowers the Board of Trade or the Industrial Assurance Commissioner, as the case may be, to permit the withholding from the public of information harmful to an insurance com-

pany's business. Section 77 requires an industrial or provident society, other than one registered in Northern Ireland, to deposit with the appropriate registrar a duly signed copy of each account etc. in addition to the copies which have to be lodged with the Board of Trade.

Section 79 increases the amount by which the assets of a company carrying on general business must exceed its liabilities if it is not to be treated as insolvent for the purpose of the 1958 Act. The Board of Trade has power until July 27th, 1969, to allow an insurance company some relaxation of this provision, but not whilst there is a petition to wind up the company before the Court. The power is intended to allow companies a period in which to rearrange their affairs.

Section 80 contains provisions for securing that a company's solvency is maintained, while section 81 enacts a new section 15 (2) of the 1958 Act which empowers the Board of Trade, with the leave of the Court, to present a petition for the winding-up of an insurance company.

Congress Expenses Allowed Against Tax

AN appeal by the Inland Revenue against a decision of the Income Tax General Commissioners that Warmsley, Henshall & Co, Chartered Accountants, of 29 Eastgate Row North, Chester, was allowed to deduct expenses incurred by a partner in the firm attending the Eighth International Congress of Accountants in New York in September 1962, in computing its profits for income tax purposes, was dismissed by Mr Justice Cross in the High Court on Thursday of last week.

The judge refused to remit the case to the Commissioners for consideration of a point raised by the Revenue on the appeal which had not been raised before the Commissioners concerning duality of purpose between the interests of the particular firm and the interests of the profession as a whole.

He had reached that conclusion, he said, 'though I fully realized that this will rob the decision in this case of general significance'. The Revenue would have to take the consequences of not having raised the question before the Commissioners. They had allowed the Commissioners to proceed on the footing that if they rejected the contention that the partner had had other reasons for going to America beyond that of attending the Congress, the only question for the Commissioners to ask themselves was whether the nature of the Congress was such that the firm could not reasonably think that its profit-earning capacity would be furthered by the attendance of one of the partners.

The Commissioners had arrived, on the evidence and

submissions before them, at a conclusion that was open to them and the judge would not interfere.

Mr Justice Cross said that Mr James Ellis Evans, a partner in Warmsley, Henshall & Co, had attended the Congress from September 23rd to 28th, 1962. Business sessions had occupied one and a half of the six days of the Congress, the remaining time being taken up with informal discussions, visits to other businesses, and various sightseeing and other social events. The expenses claimed were £160 14s 8d which was that part of the total expense incurred by Mr Evans directly attributable to his attending the Congress.

In June 1961, Mr Evans had received from The Institute of Chartered Accountants in England and Wales a circular in which the Council of the Institute expressed a desire that 'the Institute be represented at this important event in a manner worthy of the major part which members have taken over the years in the international development of the profession'.

Warmsley, Henshall & Co, had been founded in 1880 and up to 1945 had mainly developed its business among the business life of Chester, Cheshire and North Wales; but it now had clients in many parts of the world, and although it did not aspire to the status of the prominent London firms, considered itself more than a small county town practice.

The firm had considered that all the subjects discussed at the Congress were relevant to its practice. The Congress had been attended by 3,728 delegates from all over the world, including 750 from the United

Kingdom. The theme of the Congress was 'Auditing and Financial Reporting in the World Economy' and the three major subjects on which papers had been presented had each been dealt with from the standpoint of communicating financial information to investors, banks, Government agencies and others, and also from that of internal control and information for management purposes, and was to assist in the development of professional standards and thought.

Mr Evans had visited American accountants and various business concerns after the Congress, which had been attended by accountants from firms similar to Warmesley, Henshall & Co.

The Commissioners had accepted Mr Evans's evidence that the chartered flight on which he went was that which gave him the shortest period in America which enabled him to attend the Congress and resulted in his having to stay in America for fourteen days; that there had been no other method of his returning to this country after the Congress which would have resulted in his saving any expense; and that he was not claiming for expenses in America at any other time than when he was attending the Congress.

Until selected by his partners to attend the Congress he had made no other arrangements for visiting any other part of the United States. He had made many useful contacts at the Congress and was therefore better able to advise clients who had interests in other parts of the world, and after the Congress he had visited one firm of accountants in America with whom he had business dealings from time to time in connection with one of his own clients.

When visiting other firms after the Congress had ended Mr Evans had seen methods of accounting which he considered would be an advantage to his firm, and some modifications of these systems had been discussed and were being considered for introduction by his firm. All the partners of the firm considered that the information and contacts made would be of great benefit and assistance to the firm, and that its prestige had been increased by a partner attending the Congress.

The judge said that the Revenue had contended that as the Congress had been held in New York, it was so far away that it did not warrant a small firm like Warmesley, Henshall & Co, sending a delegate, and that the subjects of the Congress did not warrant the sending of a partner. The Revenue further contended that as Mr Evans had visited other parts of the United States, the object of his visit had not been only to attend the Congress; that it had not been wholly and exclusively for the benefit of his firm; and that the expenditure of £160 14s 8d was not an allowable deduction within section 137 (a) of the Income Tax Act 1952.

The Commissioners had held that distance could not rule out a claim for allowance of expenses, and that the subject-matter of the Congress had been of sufficient general interest to members of the accounting profession that they should not be ruled out from attending by reason of the subject-matters.

They held that there had been no duality of purpose in Mr Evans attending the Congress, adding that he had only claimed expenses directly attributable to his attendance; that he had been instructed to attend by his firm; that the firm's standing must have been enhanced by a member attending such a Congress; that they were not precluded from attending because it might not have an immediate or direct effect on expanding their business; and that the firm had in various ways obtained some benefit from the fact that Mr Evans attended.

The judge said that to be allowable as deductions, the expenses claimed must, in the words of section 137 (a), be 'wholly and exclusively laid out or expended for the purpose of the trade or profession'. It was, however, well settled that an expense might be allowable even though it was not directly related to the earning of profits here and now. It was enough that it had been incurred for the purpose of maintaining or enhancing the profit-earning capacity of the business.

What had to be considered was the purpose in the minds of those incurring the expense. The fact that the expenditure had not, in fact, achieved the purpose of earning profit or maintaining or enhancing the profit-earning capacity of the business, or that the Commissioners or the Court might not think that it was, in fact, well calculated to do so was irrelevant, except in so far as those circumstances might cast doubt on the genuineness of the purpose.

The Commissioners had said that distance could not rule out a claim for allowance of expenses and the Revenue did not argue that it could. The judge remarked that international conferences must of necessity often be held abroad and the time taken and expense involved in any English accountant attending a conference in New York was not vastly greater than that involved in an accountant in Penzance attending a conference in (say) Edinburgh.

The Commissioners had expressed the view that members of the accountancy profession should not be 'ruled out' or 'precluded' from attending the Congress because of its subject-matter or because it might not have an immediate or direct effect in expanding their business. Plainly, said the judge, that language was open to criticism. Any success of the Revenue in the present appeal would not 'rule out' or 'preclude' any accountant from attending any international congress of accountants held in any part of the world, provided he could raise the necessary funds and get the necessary permission to convert them into foreign currency. But the disallowance of such expenses might deter an accountant from attending such conferences and that, the judge thought, was all the Commissioners meant.

The judge rejected the Revenue's contention that the Commissioners had not had the true question in mind, which was whether the expenditure in question had been incurred by the partners with the sole object laid down in the section.

The Revenue had then adopted a line of argument,

of which there was no hint in the case stated by the Commissioners that the purpose of the firm in sending Mr Evans to the conference had not been to enhance its profit-earning capacity but to advance the supposed interest of the profession of accountancy. The Revenue said that there might be some firms of accountants whose links with the American business world were so many and so strong that they might reasonably expect to advance their business interests by attending such a conference, but that that was not true of such a firm as Warmesley, Henshall & Co. What that firm had responded to, said the Revenue, was the desire of their Institute expressed in the circular, and that a wish to improve the status or image of the accountants' profession in this country was not a purpose falling within section 137 (a).

Counsel for the firm had contended, first, that that point was not open to the Revenue; and secondly, that if it was, the case must be sent back to the Commissioners for them to find out first whether the supposed interests of the profession at large influenced the firm

in its decision to send Mr Evans, and if it did, to explore in the light of further evidence whether there was in truth any such distinction between the interests of the profession as a whole and the individual business interests of the member, which the Revenue's argument presupposed.

Counsel for the Revenue had agreed that if the point was to be properly argued the case would have to go back to the Commissioners, so all that the judge had to decide was whether or not he should give the Revenue the chance of developing the point. 'The conclusion at which I have arrived', his lordship said, 'is that I ought not to send the case back – though I fully realize that this will rob the decision in this case of any general significance.'

After dismissing the appeal the judge was told that the Revenue had agreed to pay the costs of the case in any event. He told counsel for the firm: 'Then I think you have done very well out of the Crown. You should be grateful.'

'We are', replied counsel.

Current Affairs

International Study Group's First Report

THE first report of the International Study Group comprising representatives of The Institutes of Chartered Accountants in Great Britain and Ireland, the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, is due to be published at the end of next month and will deal with 'Accounting and auditing approaches to inventories in three nations'. The formation of the group was announced at the beginning of this year and, broadly, its terms of reference were to institute comparative studies as to accounting thought and practice in participating countries and to make reports from time to time for the benefit and guidance of members of the sponsoring institutes.

This first report, which has been prepared by the British section of the group, discusses inventories from both an accounting and auditing viewpoint

and is to be released simultaneously to members in all three countries. The whole subject of stock and work in progress is particularly topical at the present time and the report should make interesting reading – we look forward to referring to it in detail in the issue of January 27th.

For the future, the United States section is preparing a paper on standards of reporting and this will come up for discussion in London in June at the next Study Group meeting. At that meeting, consideration will also be given to an outline of principal points for a third paper to be prepared by the Canadian section on the subject of reliance on other auditors. This paper will subsequently be submitted in draft form to the Study Group at its fourth meeting, which is expected to be held in New York in November.

Customs and Excise Report

THE Report of the Customs and Excise Commissioners for the year ended March 31st, 1967 (Cmnd 3940, H.M.S.O. 17s 6d), published last week, is the first to contain figures of the betting duties which were imposed by the Finance Act 1966. All bets with book-makers and totalisators made after October 23rd, 1966, bear a 2½ per cent tax in place of the 5 per cent tax which was imposed on totalisator betting at dog tracks and also in place of the licence duty payable by book-makers at dog tracks.

From October 1st, 1966, an annual licence duty was imposed in respect of premises where gaming (including bingo) takes place. From the same date there

is an annual licence duty on gaming machines. The report says that these new taxes, together with the existing taxes on pool betting and fixed odds coupon betting, bring virtually all the major forms of organized betting into the indirect taxation net. The total yield is expected to be £70 million for the current year.

Under the regulations, all book-makers operating off-course businesses are required to pay the duty weekly. On-course book-makers have to deposit sums related to their average weekly duty payments and receive a card for production on entry to race-courses to show that they are in credit with the department. All book-makers have to keep an accurate detailed record of bets made with them and this is subject to check. No doubt the Inland Revenue would be interested in this information, both in relation to the book-makers' own tax liabilities and in relation to winnings (and losses) of their customers – especially those customers who claim to have won a lot of money as ordinary punters.

The number of people who have to pay the licences on gaming machines is kept small by the liability being imposed on the owners rather than on the users. Clubs, for instance, prefer to hire machines. The duties produced £50 million as against £30 million from football pools. The report pays tribute to book-makers and race-course and totalisator authorities for their help in the new duties.

The report contains the usual wealth of statistics, which are of much wider value than in relation merely to tax collection.

Disclosing Bank Profits

THE banks have been exempt, since the passage of the 1948 Companies Act, from the requirement to provide full information relating to their profits and inner reserves. Readers may recall that this followed upon the recommendation of a majority of the Jenkins Committee, despite the objections of the minority to such non-disclosure.

The minority also proposed that banks and discount houses should be invited to submit their full accounts for the last decade or two to the Board of Trade. The department would then be able to judge to what extent these bodies had availed themselves of this exemption and thereby help the Board to decide to what extent it was necessary to continue such exemptions from laws which applied to all other traders and business houses.

The Government have pursued this proposal to the extent of examining the accounts of selected members of the two associations and have discussed the findings with the Bank of England. As a result, the Government have come to the conclusion that more time is needed to assess the consequences which might flow from full disclosure. For the time being, therefore, those exempt banks and discount companies incorporated in Great Britain will be required to provide the Bank of England with full information about their profits and inner

reserves. Such information will be treated as strictly confidential and the Government will review its policy at a later date.

London Rate Equalization

SINCE the note on the rate equalization scheme proposed by Professor A. R. Ilesic appeared in our issue of December 16th, the London Boroughs Association has formally adopted the proposed scheme. The next step will be to ask the Minister of Local Housing and Government to make a Ministerial Order so that the scheme may start on April 1st, 1968. Thus, the financial year 1968–69 would become the first of three transitional years until the scheme becomes fully operative in 1971–72.

The Minister will also be asked to consider some means of alleviating the burden of additional rates on the domestic ratepayer. This particular issue is highlighted by the fact that in the four major contributing boroughs under Professor Ilesic's scheme it is generally conceded that domestic rateable values are high. Obviously, any method of relieving the domestic ratepayer, e.g. by an increase in the domestic element of the Rate Support Grant, could not be restricted to those few boroughs. But since rateable values in other boroughs tend to be lower than in the central areas, any given relief in terms of a reduction of rate poundage would be felt mainly by domestic ratepayers in the central boroughs.

Even without such relief, however, bearing in mind the transitional arrangements, the impact of the proposals on domestic ratepayers in the paying boroughs is not particularly severe. Whatever may be the limitations of the new proposals, they are nevertheless infinitely preferable to the existing scheme which, as Professor Ilesic has stated, is both illogical and inequitable.

Estate Duty on Top-hat Scheme

THE Court of Appeal has held that assurance policy moneys becoming payable on the death of a managing director under a 'top-hat' pension scheme formed part of his estate and therefore were chargeable to estate duty. The Court upheld the decision of Mr Justice Buckley to that effect in *Re Leek, Darwen v. Leek* ([1967] 3 W.L.R. 576) and dismissed the appeal of the managing director's executor.

Colonel Leek was the managing director of Dosco Overseas Engineering Ltd. In 1956 he arranged with the company that his salary would be reduced by £1,000 per annum and the company would effect a policy on his life for £18,807, payable on his death before he was 65 and while still in the company's service. The company effected the policy as trustee for Colonel Leek. They sent him a letter saying that the money was to be held on trust 'for the benefit of such one or more of the following persons as the

company in its absolute discretion shall decide, namely, your wife, children or other issue or such other persons as the company may consider to have a moral claim upon you or failing them upon trust for the benefit of such one or more of the statutory next-of-kin, in both cases in such shares and in such manner as the company in its absolute discretion shall decide'.

Colonel Leek died in 1959 while still managing director and under 65, and the insurance company became liable to pay the £18,807. The Revenue con-

ceded that if the above trusts were valid in law, no estate duty was payable on the £18,807. They argued, however, that the trusts were bad for uncertainty, since the company could not know who had a moral claim on the deceased. If the trusts were bad, the moneys became part of the deceased's estate, since he having effectively provided the premium, there was a resulting trust to him. The Revenue argument was upheld but the Court gave leave to appeal to the House of Lords.

This is My Life

by An Industrious Accountant

EACH year as the new January looms ahead I try to examine my conscience as a first step towards formulating bigger and better resolutions. Some are personal and private; others relate to my job. The latter I have now clarified firmly as steps towards professional perfection.

In the minor areas my first tentative resolution was to take all my incoming telephone calls direct. There's the temptation to which most busy executives all too often yield, to let their private secretaries filter their calls. In this Prinny, our personnel director, is particularly remiss.

When I ring him his glacial-voiced secretary answers promptly: 'Extension 26; who is calling?' On learning my identity she replies 'Just one moment' and can sometimes be overheard telling Prinny that I'm on the line asking him if he will speak or will she ask me to ring back. After some little desultory mumbling she returns to me, by which time I am feeling annoyed at the delay and inclined to be regrettably curt – both with her, as well as at my next meeting with her boss whose ear is quick to detect notes of emotion.

With lesser mortals Glacial tends to say briskly that the personnel director will ring back in due course when he's disengaged. It's well-known that he's probably engaged on reading the Ascot race results, or some other topical pursuit, and some day somebody will use rude words to her.

My second possible resolution related to personal access. The managing director has a charming young secretary who cherishes that sophisticated autocrat like a week-old babe. Her desk and the door to the inner sanctum are protected by a waist-high barrier, and when anyone enters her anteroom to see the M. D., she leaps up like a gazelle, motions the visitor to halt at the swing gate, knocks on the door too gently to be heard, looks worried, and knocks again. After a

dramatic exhibition on the lines of Edith of the Swan-neck seeking King Harold's body on the hill of Hastings, she purports to learn the worst and turns to say that he must have gone out by the other door.

No shut doors, therefore, for me. Anybody can enter my office at will. If I'm busy I'll say so quick enough.

My third resolution was to prevent – if humanly possible – a cut in salary for any member of the accounts department staff. The possibility is by no means remote. Following devaluation and lurid murmurings of cost-of-living inflationary spirals, it was agreed provisionally that we should minimize salary increases. Wage freeze and so on, commented the chairman vaguely; cost reduction, said his deputy cheerfully; overriding national policy, inflexible and patriotic, smiled the managing director.

When Prinny torpedoed their complacency by bluntly producing a list of names for whom increases for one reason or another were essential if we were going to continue in business, they temporized and sought an outlet. The obvious one was to compile a second, counter-balancing list of those who were manifestly overpaid. We're now involved in this exercise, and arguments are hot and protracted.

I remember a stark pre-war Friday during the depression in my old student days, when rumour ran like wildfire through the office that all senior and semi-senior audit staff were to take an immediate salary cut. There were white faces and haggard eyes. Robert, whose young wife had been ill for months past, dropped out unobtrusively from our usual lunchtime group. Pressure of work, he indicated. He came into the common-room from then on with a shabby little attache case and stayed behind at one o'clock.

Once when I was waiting for a special phone call I saw him take out the flask and packet of sandwiches, daintily wrapped, on a day bitter enough to chill a polar bear. Robert joked as cheerfully as ever, but he lost over a stone that winter. Some of our present assistants – with early overdrafts and responsibilities, and non-plutocratic pay – probably have just as little economic margin as he had.

Come to think of it, that last new year resolution will be enough for the moment.

The Reform of Local Rates

by R. G. HOLLOWAY, B.Sc.(Econ.)

WITH an anticipated yield of about £1,500 million during the current financial year, rates are second only to income tax as a source of Government revenue¹ and represent a quarter of all taxes on expenditure. Changes brought into force during 1967 constitute the most important reform of local government finance for more than a hundred years. The background to these measures and the probability of further radical reform are discussed below.

The basic issue

Levied on property, rates constitute the only significant tax which local authorities have at their complete disposal but various inherent weaknesses in the tax have prevented its yield from expanding fast enough to maintain local financial autonomy. Over half the expenditure of local authorities is now provided from central government funds and there can be little doubt that over half the control has passed out of local hands.

The principle of local democracy is the issue from which much of the discussion of rating stems. It should be remembered, however, that central control would not be abolished by the restoration of local financial autonomy, since Parliament could still legislate to remove functions from the local government sphere or impose restrictions on their administration in addition to those limitations which already exist. These restrictions are frequently supported by means of delegated legislation and applied to matters of detail through the exercise by Ministers of quasi-judicial powers and administrative discretion.

In view of the necessity for Parliamentary sovereignty, and for the retention of such powers in the hands of Ministers who are able to exercise them to maintain the rights of the individual against the local community and to preserve important aims of national policy, it is clear that the principle of local democracy is far from sacrosanct. What is of importance is the exact degree of shading between local democracy and local administration which is desired. In this context, the failure of the rating system to meet even the greater part of the financial needs of local government provides a *prima facie* case for its abolition or radical reform.

The complaint that rates are an inelastic source of

revenue is, however, technically misleading since increases in the rate per £ levied can be expected to yield proportionate increases in rate revenues. Additionally, increased yields arise from the higher valuations which accompany the development of particular properties and which follow both the development of neighbourhoods and the general trend of rising incomes.

The inelasticity is of a different character: the rate is an unpopular tax and large increases in the poundage threaten the political position of councils.

The causes of this unpopularity are not hard to find. The local rate has been the largest and most noticeable lump-sum indirect tax which most people have had to pay, and the fact that the rate assessed bears no fixed relation to the payer's income or direct benefits makes it a particularly objectionable tax to those who feel they are being discriminated against and to those whose social conscience is disturbed by the thought of a burden imposed on the relatively poor.

Regressive tax

Reporting in 1965, the Allen Committee found the rate an undoubtedly regressive tax; being negligible at the upper income levels while at the lower end of the scale not uncommonly amounting to 5 per cent or more of total income. But regressiveness is not, of itself, an important objection to a tax; what matters is the progressiveness of the tax system as a whole when linked with compensating subsidies.

The regressive effect of the rating system on large families with low incomes has, over a number of years, been countered by housing subsidies while financial assistance has been available to the needy under the National Assistance Acts. Additionally, the Rating Act of 1966 established the right to rebate where the occupier's income is low. The difficulty of finding the cash for rate payment has also been eased by the establishment, in this Act, of the right to pay domestic rates by monthly instalments.

The Allen Committee conducted special studies into the burden of the rates on low-income households. The highest burden was naturally felt by those who had not applied for National Assistance although apparently eligible for it; and secondly, by those who would have been eligible if they had used up capital in excess of £600 or if the head of the household had not been in full-time employment. It was also evident that

¹ Third, if excise duties are grouped together.

the problem of hardship was largely one of a rising rate burden in the face of the rigid incomes of retired families.

Relatively high rates on retired households are not however, merely a question of rigid incomes. They are, also due to the under-utilization of houses. The special study analysis revealed that 31 per cent of single person households were occupying six or more rooms. This is an obvious waste of a scarce resource. It is not easy, however, for old people to move and, from the economic point of view, it would be better for local authorities to help them to do so rather than to foster this misallocation of resources by rate rebates.

More generally, hardship arises not from the rates but from the cost of living. The better remedy is, therefore, not to rebate rates but to increase the allowances for old age, sickness, unemployment and dependent children.

Derating

Apart from the politico-psychological limitations on rate revenues, some part of their inelasticity is a reflection of the social phenomenon that people tend to spend a decreasing proportion of their income on rents or house ownership as their total income increases. But far more important limitations result from Acts of Parliament which have restricted the rents of some working-class housing to artificially low levels and which have derated certain classes of property.

Since rateable values are based on rental values, the depression of the rents of privately-owned properties to uneconomic levels necessarily reduces their contribution to the rates. In addition, the rateable values of council housing tend to be under-assessed.

Agricultural land and buildings (other than houses) have not been subject to rates since 1929. The Government's stated reason for the continuance of this derating is that, since there has been no valuation of such property for over thirty years, it would be impracticable with present resources to carry it out. There is, however, no indication that the Government intend that it should be made practicable. This relief from rates benefits farmers who are well able to afford to pay a contribution to the local services from which they benefit; and, since the rural and county authorities are by far the largest losers, it cannot even be claimed that the cost of this relief (estimated at £100 million) is fairly distributed among ratepayers. If it is in the national interest to subsidize agriculture, the whole of the subsidy should be borne directly from national funds.

The 1961 Rating and Valuation Act made it mandatory upon local authorities to give relief of at least 50 per cent to certain classes of charity and gave discretionary powers to relieve others. The universities, learned societies, specialist libraries and youth clubs which are among the bodies which may benefit, are not generally wealthy and their activities should

certainly be encouraged. But this is not the best way to do it, even if the total cost at present is probably less than £5 million. The provision for mandatory relief means that the cost will fall upon local ratepayers who, in most cases, have nothing to do with the institutions concerned. To take one example, the derating of the Oxford colleges adds well over £100,000 to the burden of the City's remaining ratepayers. To make matters worse in this instance, one of the colleges has more money than it has so far been able usefully to employ.

A third and very major class of property has now been derated. The Local Government Act requires the rate levied in each rating area to be reduced for dwelling houses by a prescribed number of pence in the £ which is fixed nationally by the Minister of Housing and Local Government. While the justification for this would seem to be political, it was perhaps inevitable with households bearing nearly half the total burden of the rates. The annual cost of this partial derating is likely to be £25 million.

In addition to these complete or partial deratings, a loss of revenue of about £150 million results from the present formula arrangements for charging rates on the property of the nationalized utilities and transport undertakings. A possible loss also arises from the arrangements for contributions in lieu of rates from Crown property.

The inadequacy of the yield has been cited as a major weakness of the rates. But before substituting or adding new taxes, an obvious method of increasing revenue is to ensure that all properties pay their full due in respect of rates.

Stability

It can also be argued that the inelasticity of the rate revenue is less a weakness than a corollary of one of its main strengths. Much the greater part of a local authority's expenditure takes the form of rather long-term commitments. It cannot suspend the service of its debts nor can it easily reduce the number of its employees without severely disruptive effects. The wages and salaries it pays are, moreover, generally determined nationally. It is therefore very difficult for it to contract its expenditure to meet sudden short-falls in income. If local revenues were related to income, a fall in the general level of economic activity might lead to local authorities experiencing a financial crisis.

Long-term borrowing to finance capital expenditure is justified. But short-term borrowing on a substantial scale to cover a deficit on current account for the year as a whole is not desirable. Not only must it mean either the weakening of Government control over the economy or greater centralized control over local authority spending but, more importantly, it raises the cost of industrial financing and attracts 'hot money' inflows, so risking masking and then magnifying disequilibrium in the balance of payments. Even the

present extent of temporary borrowing to meet uneven revenue flows is questionable.

The first requirement of a major local tax is, therefore, that it should be a very stable source of revenue. Rates are a very stable source of revenue; and while there are other taxes whose yield is very reliable, these do not include the progressive forms of taxation. The main objection to other consumption taxes as sources of local finance is the ease of evading them by making purchases in a neighbouring district where they are lower. The stability of rateable value as a source of revenue is probably the decisive argument in favour of rates, though a strong case can also be put forward on the grounds that a tax on land and buildings leads to greater economy in their use.

Unequal resources

The second major criticism of the rates is that rate resources are unevenly distributed among the local authorities. Inequality between areas is, however, bound to exist under any system of local taxation. Nevertheless, it is important to note that this inequality would be greater under a more progressive tax such as a tax on income.

The answer to this problem of unequal revenue resources is, of course, the Government grant. Part I of the Local Government Act authorized changes in the system of Exchequer grants to local authorities in England and Wales for 1967-68 and subsequent years. The aggregate amount of all Exchequer grants in aid of local 'revenue' expenditure for each year is now based on estimates of the amount of that expenditure (with housing subsidies and contributions to the housing revenue and trading accounts being excluded and certain other receipts being offset).

The estimated amount of the specific grants for the year in aid of revenue expenditure is deducted from the aggregate and the balance is the amount of the new rate support grants. The Act provides for the distribution of these grants in three parts:

- (i) a *needs element* based on population and certain other factors, payable to county and other major authorities;
- (ii) a *resources element* payable to any authority with rate resources lower than the national average in proportion to its population; and
- (iii) a *domestic element* to compensate for the partial derating of housing.

The aggregate amounts of the rate support grants and each of the three elements will be prescribed in advance for periods of two or more years. The Act also provides for specific grants for comprehensive development, for the acquisition of land for public open spaces, for the reclamation of derelict land and for special expenditure due to the presence in an area of substantial numbers of immigrants; and gives statutory authority for existing grants paid to port and airport health authorities.

Brake on development

The third major criticism of the local rates is that it militates against good housing and other property development since every improvement tends to increase the rateable value of the property. There have been cases where families, moved as the result of slum clearance schemes, have objected to paying the higher rentals inclusive of the rates, but it does not seem likely that the existence of rates significantly discourages people generally from buying or renting the houses they want or improving them.

The same reasoning applies even more strongly to business enterprises whose property improvement is likely to result in higher productivity or who can otherwise pass on higher costs in the form of higher prices. There is also the strong possibility that any reduction or abolition of the rates would be followed by rent and purchase price increases.

There does, however, seem to be a case for substituting site valuation as the basis of the rates. A pilot survey of the feasibility of site value rating was carried out in Britain in 1963. Under this system, land ownership is rated instead of occupation and, with the annual value of any existing buildings ignored, the annual values of sites alone are assessed, the assessment being on their full permissible development value. The considerable economic advantage of this system is that it penalizes any use of land which falls below its authorized use potential, the penalty being proportionate to the waste. To introduce such a system would, however, seem to require a massive administrative effort.

Nonetheless, one step in the direction of improved economic allocation has been taken. The existing system of rating has, until now, relieved property from rate charge so long as it was unoccupied. This has assisted owners to demand high selling prices as well as resulting in the waste of resources. Part II of the Local Government Act provides for owners to be charged half the normal rates after their buildings have been unoccupied for three months (six months in the case of newly-built dwellings). This provision only applies, however, if it is adopted by the rating authority.

Further criticisms of the rating system are its technical complexity (with such esoteric terms as 'tone of the list' valuation) and the relatively high cost of collection (1.05 per cent of the total rate revenue compared with 0.84 per cent for customs and excise).

Prospects

While the improvements contained in the 1966 legislation constitute the most important reform of rating for a hundred years, the Government does not maintain that these will achieve a viable system of local taxation. Introducing the second reading of the Local Government Bill, the Minister described it as an interim rescue operation and added that he was convinced that radical reform must be undertaken as soon as possible. But, as the Minister pointed out, the reform of local

finance must follow the reform of local government. As long as there are in England alone, over one thousand units of local government each with the right to raise its own taxes, it is unlikely to be possible to get rid of rates.

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Membership of Lloyd's

CONTRIBUTED

THE Lloyd's market has suffered as much as any other insurers during the past few years, due to poor underwriting results throughout the world and particularly heavy reinsurance claims. Although, however, Lloyd's is the largest reinsurance market in the world, it is by no means predominantly concerned with reinsurance and writes a very large volume of direct business.

Some of the losses of the past few years are only now being accounted for, since Lloyd's works on a three-year account. Thus it is the 1965 account which was closed at the end of 1967.

One of the direct results of this poor experience over the last few years is that since underwriters 'bind themselves, their heirs, executors and administrators, each for his own part and not one for another', they have to meet losses on their underwriting from their personal resources, and the various types of reserve which they may have been able to build up in the past. Perhaps it is not surprising, therefore, that quite a number of members have resigned their membership of Lloyd's in view of the losses which they have incurred.

Encouraging new members

Admittedly new members are coming forward, but underwriting agents are not finding it too easy to persuade men not directly connected with insurance that now is a good time to join. A normal businessman sees the losses of the past few years and finds it difficult to appreciate, despite the very sharp increases in premium being made, that barring catastrophes the immediate future should be very much more profitable than the immediate past.

Lloyd's is certainly needing new members, however,

in order that it may increase its capacity. At present there are over six thousand members grouped for convenience in some 290 syndicates. These syndicates vary in size (and thus in the 'line' which can be written on their behalf) from merely a handful to several hundred members.

The problem of capacity arises from two causes. In the first place, it is obvious that values are rising throughout the world and the size of risks is growing enormously. Often domestic insurers require proportionately very much more reinsurance cover than in the past. Secondly, as a result of the sharp increases in premium (and those required from United States insurers are often much less than increases being asked from insurers in the United Kingdom and the continent of Europe), certain sections of the Lloyd's market have had to turn down business in order to keep within the premium income limits laid down by the Committee of Lloyd's to maintain the absolute security of the market.

There is no doubt, therefore, that some (although by no means all) of the syndicates in the Lloyd's market would welcome some more 'names' to enable them to write the larger lines which they are offered.

Discussions have been taking place at different levels to see how it might be possible to increase membership without in any way reducing the security of the market for which it is renowned. One suggestion which might well be put into operation is for Lloyd's to open its doors rather more widely.

Outside 'names'

Membership is not, of course, confined to men who actually work in the Lloyd's market, either on under-

writing staffs or in broking firms. A substantial proportion of the membership of Lloyd's consists of 'outside names'. Although for obvious reasons such men have to be wealthy, they do not have to put money into any business at Lloyd's. Their deposits are simply held as security and can be invested in approved securities – from which they receive the income.

Membership of Lloyd's is, however, at present restricted to nationals of countries within the British Commonwealth, and there are those who feel that this restriction might be lifted, or at any rate eased. This would give those responsible for sending business to Lloyd's, as well as others, the opportunity to become members. Apart from immediately increasing the capacity of the market, a side effect might well be to increase still further the volume of business coming to Lloyd's.

At the moment any proposals along these lines are still in the discussion stage. In some quarters it has been suggested that a different form of membership could be introduced; existing members could remain on an unlimited liability basis, whereas new members might be asked to make very much larger deposits and receive in return some form of limited liability. In no way would the security of a Lloyd's policy be weakened.

All premiums could still be put into premium trust funds, reserved solely for the payment of claims, and the special audit carried out at present could continue. Additionally, the central guarantee fund (now standing at several million pounds) which is maintained by the Committee of Lloyd's against the possibility of failure by an underwriter, could continue to be built up.

Means test

For anyone who is a national of a Commonwealth country, becoming a member of Lloyd's is not simply a question of writing a fairly substantial cheque. There is a 'means test' for most applicants for membership, and those surmounting this hurdle cannot count on being elected. All candidates for membership have to be approved by the Committee of Lloyd's and by no means all measure up, however rich they may be.

There is a variety of membership categories of which the following is a brief guide, bearing in mind that a member of Lloyd's is liable for his underwriting losses to the limit of his means – irrespective of the deposits he may have put up or the wealth which he may have shown. These figures, moreover, are subject to constant revision.

Broadly speaking, at present anybody unconnected with Lloyd's has to be able to show that he is worth at least £75,000 in readily realizable assets before being eligible for consideration as a member. Although it is not easy to define the term readily realizable assets, the thinking behind the use of this phrase (and thus its probable interpretation) can be seen clearly enough.

In addition to this evidence of wealth, fairly substantial deposits will be required to be held by the Committee of Lloyd's and the member's underwriting

agents at Lloyd's. These deposits may be invested in certain specified shares (selected in order that they do not drop too much in value and will be readily realizable); a significant proportion must be in Government and other gilt-edged securities. As already mentioned, interest and dividends due on these investments may be paid direct to the member, and subject to approval on the part of the authorities, the investment may be changed from time to time – provided there is no diminution in the amount held in this way.

If £15,000 is deposited in this way, a member is allowed to write an annual premium income of up to £30,000 for a marine account, and the same figure for a non-marine account. These, however, are upper limits and in practice many syndicates do not write such high figures for their 'names'.

Members wishing to write business which will bring greater premium income or who wish to write other classes of business, such as aviation, motor business within the United Kingdom, or short-term life business (for a maximum term of five years), are obliged to increase their deposits.

Entrance fee

There is also an entrance fee which has to be paid in cash and which is non-returnable. This varies from about £1,500 to £2,000, depending on the classes of business which will be written and the premium income limits imposed.

A concession is made, so far as evidence of wealth is concerned, to candidates who personally bring to Lloyd's a certain volume of business each year. This can be either their own insurances or those of a company with which they are connected; special provisions apply in the case of brokers. To qualify for this concession, a minimum annual premium income of £2,500 must be brought to the Lloyd's market.

Difficulties sometimes arise in deciding who is eligible for election as a 'commercial name'. Generally this includes those who cannot show £75,000 but who may own a successful business. For anyone in this category, only £35,000 of wealth usually has to be shown, though there are no changes in the amount of deposit or entrance fee.

Although the Committee of Lloyd's decides who may become a member, the actual underwriting on his behalf is carried out by an underwriting agency, many of which are offshoots of broking firms. Underwriting agents act as managers of the underwriting syndicates, providing the underwriting staff and managing the accounts of individual members. An agency fee is, of course, paid by the member to his agent for these services, in addition to which there is likely to be a profit commission.

In the past being a member of Lloyd's has been profitable enough, and the outlook is that this should be so in the future – at least for a few years until competition results in the cutting of premiums.

Finance and Commerce

Rootes - Chrysler

THE accounts of Rootes Motors Ltd for the year to last July are the first to be issued since the American Chrysler Corporation took control last March. The directors' report opens with a précis of the capital operations which mainly involved the creation of 50,407,597 preferred 4s ordinary shares, the offer of them all by way of rights, at par, to ordinary and 'A' ordinary shareholders - with Chrysler Corporation underwriting the issue - and an increase in the board's borrowing powers to a sum equal to twice the adjusted total of the issued capital and consolidated reserves.

The allotment of the new issue was made last March, with the Industrial Reorganization Corporation acquiring 15 per cent of the total issue from Chrysler. The final holdings of Chrysler then amounted to about 82 per cent of the preferred ordinary capital and 73 per cent of the total equity capital.

Parallel with the preferred ordinary share operation, £10 million of 8 per cent unsecured loan stock 1981 was created of which £1 million was issued. Chrysler has agreed to subscribe or procure the subscription of up to a further £9 million at the request of the directors.

These moves followed a period in which Chrysler had a substantial but not controlling stake in the company - control being with Rootes family through the voting ordinary shares.

Loss factor

The new preferred ordinary shares are entitled to a cumulative dividend of 7 per cent, with the balance of available profits allocated as to 50 per cent to the preferred ordinary and 50 per cent to the ordinary and 'A' ordinary capital. Any losses incurred up to and including the year ending July 31st, 1970, will be for the account of the ordinary and 'A' ordinary shareholders with any losses thereafter being borne equally by the ordinary and 'A' ordinary shareholders and also the holders of the preferred ordinary.

The loss point is important, in view of the company's position as shown in the accounts. A year ago shareholders were told that it was 'difficult to estimate when Rootes will return to profitability'. The first quarter of the current financial year, although still showing a trading loss, was a substantial improvement on the equivalent 1966 period.

This progress, the directors' report states, has resulted from measures taken by management (much reorganized and now thickly populated by Chrysler men) to economize and to reduce costs. There is an improved product range,

and market penetration has increased. The first quarter benefited from the easing of hire-purchase restrictions.

Curative measures

Conditions in export markets, which accounted for approximately 31 per cent of the company's output last year, have remained highly competitive. Devaluation will provide opportunities for increased sales in most markets, nevertheless, the full potential benefits of devaluation must be considerably diminished, it is stated, by the financial effects of the additional hire-purchase restrictions on motor-cars in the domestic market, together with the loss of export rebate and selective employment tax premium.

It is considered impracticable, at this juncture, 'to make a valid prediction of the likely results for the balance of this current financial year,' although the directors are satisfied that measures taken will 'in time' restore the financial position of the company.

The Rootes company may be short on profits but the report is certainly long on information. Were it not for the extremely poor financial performance, the Rootes report would probably be welcomed by remaining independent shareholders as an informative and well-presented document. It is to be hoped that in future years the results will match their presentation.

ROOTES MOTORS LIMITED and Subsidiaries

Consolidated Profit and Loss Statement for the year ended 31st July, 1967

	£ 1967	£ 1966
ADVERSE BALANCE FROM		
TRADING ACCOUNTS (note 1) ..	6,020,611	(1,146,894)
Depreciation on Fixed Assets (note 4)	3,559,176	2,994,212
	9,579,787	1,847,318
Interest on Debenture Stocks, Loans and Deferred Liabilities (note 2) ..	1,376,196	1,171,175
LOSS FOR YEAR, BEFORE TAXATION	10,955,983	3,018,493
Deduct: Net Taxation recoverable (note 3)	316,761	176,419 payable
LOSS FOR YEAR, AFTER TAXATION	10,639,222	3,194,912
Deduct: Interest recovered in respect of prior years	—	202,827
Add: Profits attributable to Outside Shareholders in Subsidiaries ..	116,093	119,955
NET LOSS ATTRIBUTABLE TO ROOTES MOTORS LIMITED:		
Subsidiaries	10,596,235	
Rootes Motors Limited	159,080	
	£10,755,315	£3,112,040
DEALT WITH AS FOLLOWS:		
Withdrawn from General Reserves, or carried forward as adverse balances		
Rootes Motors Limited	159,080	185,060
Subsidiaries	10,596,235	3,158,019
	10,755,315	3,343,079
Rootes Motors Limited Preference Dividends	—	231,039
	£10,755,315	£3,112,040

The notes on pages [857-8] form part of these Accounts

ROOTES MOTORS LIMITED

Balance Sheet as at 31st July, 1967

	1967	1966		1967	1966
£	£	£	£	£	£
Fixed Assets (note 4)			Investments and Advances (note 5)	..	..
Land, Buildings, Plant, Furniture and Fittings	35,722,173	36,130,733	Current Assets		
Unamortised Special Tools	5,352,857	6,323,220	(a) Debtors and Prepayments	..	..
Investments (note 5)	2,796,949	3,103,341	(b) Taxation Recoverable	..	..
Net Premiums on acquisition of Subsidiaries	—	(134,664)	(c) Balances at Bank	..	..
				1,630,148	84,540
				<u>1,747,820</u>	<u>1,209,088</u>
Current Assets					
(a) Stocks (note 6)	34,454,820	36,373,444	less		
(b) Debtors and Prepayments	11,901,971	12,832,140	Current Liabilities		
(c) Amounts owing (net) by Holding Company (Chrysler Corporation) and fellow subsidiaries	881,199	1,515,000	(a) Bank Overdraft	..	..
(d) Hire Purchase Agreements (less unearned interest)	1,319,551	1,192,890	(b) Accrued Interest on Loan Capital (£45,607 secured, 1966—£46,082)	..	..
(e) Taxation Recoverable less Payable	—	464,132	(c) Acceptance Credits	..	..
(f) Balances at Bank and Cash	3,826,785	1,533,193	(d) Creditors and Accruing Charges	..	..
	<u>52,384,326</u>	<u>53,910,799</u>	(e) Amount owing to Holding Company (Chrysler Corporation) and fellow subsidiaries	..	..
			(f) Taxation	..	..
			(g) Dividends, gross	..	..
less				—	—
Current Liabilities and Provision			Net Capital Employed	..	..
(a) Bank Loans and Overdrafts (£693,131 secured, 1966—£528,557)	2,079,729	2,479,244		2,506,694	2,864,362
(b) Accrued Interest on Loan Capital and Deferred Liabilities (£463,833 secured, 1966—£301,977)	564,126	394,188		<u>(758,874)</u>	<u>(1,655,274)</u>
(c) Acceptance Credits	2,610,000	4,150,000			<u>£41,733,302</u>
(d) Trade Creditors, Bills Payable and Accruing Charges	30,401,753	31,595,661			
(e) Taxation Payable less Recoverable	47,141	—			
(f) Provision for dilapidations—Leasehold Premises	195,000	185,000			
(g) Dividends, gross	—	70,479			
Shareholders in Rootes Motors Limited	329,375	21,963			
Outside Shareholders in Subsidiaries	36,227,124	38,896,535			
	<u>16,157,202</u>	<u>15,014,264</u>			
Net Capital Employed	<u>£60,029,181</u>	<u>£60,436,894</u>			
FINANCED BY					
Issued Ordinary and Preferred Ordinary Share Capital	18,146,735	8,065,215			
Share Premium Account	13,330,000	13,330,000			
General Reserves, adverse balance in 1967 (note 7)	(2,782,705)	7,732,423			
Ordinary and Preferred Ordinary Shareholders' Interests	<u>28,694,030</u>	<u>29,127,638</u>			
Issued Preference Share Capital	4,707,370	4,707,370			
Outside Shareholders' Interests in Subsidiaries	1,227,751	1,481,711			
Loan Capital (note 8)	<u>19,248,267</u>	<u>18,698,749</u>			
Deferred Liabilities (note 9)	6,151,763	6,421,426			
	<u>£60,029,181</u>	<u>£60,436,894</u>			
ROOTES			ROOTES		
GILBERT A. HUNT			GILBERT A. HUNT		
W. J. TATE			W. J. TATE		
Directors			Directors		

	1967	1966		1967	1966
£	£	£	£	£	£
Investments and Advances (note 5)	..	..	Investments and Advances (note 5)	..	..
Current Assets			Current Assets		
(a) Debtors and Prepayments	..	..	(a) Debtors and Prepayments	..	..
(b) Taxation Recoverable	..	..	(b) Taxation Recoverable	..	..
(c) Balances at Bank	..	..	(c) Balances at Bank	..	..
	1,630,148	84,540		1,630,148	84,540
	<u>1,747,820</u>	<u>1,209,088</u>		<u>1,747,820</u>	<u>1,209,088</u>
less			less		
Current Liabilities			Current Liabilities		
(a) Bank Overdraft	..	..	(a) Bank Overdraft	..	..
(b) Accrued Interest on Loan Capital (£45,607 secured, 1966—£46,082)	..	..	(b) Accrued Interest on Loan Capital (£45,607 secured, 1966—£46,082)	..	..
(c) Acceptance Credits	..	..	(c) Acceptance Credits	..	..
(d) Creditors and Accruing Charges	..	..	(d) Creditors and Accruing Charges	..	..
(e) Amount owing to Holding Company (Chrysler Corporation) and fellow subsidiaries	..	..	(e) Amount owing to Holding Company (Chrysler Corporation) and fellow subsidiaries	..	..
(f) Taxation	..	..	(f) Taxation	..	..
(g) Dividends, gross	..	..	(g) Dividends, gross	..	..
	—	—		—	—
Net Capital Employed	..	..	Net Capital Employed	..	..
	2,506,694	2,864,362		2,506,694	2,864,362
	<u>(758,874)</u>	<u>(1,655,274)</u>		<u>(758,874)</u>	<u>(1,655,274)</u>
	<u>£44,649,667</u>	<u>£41,733,302</u>		<u>£44,649,667</u>	<u>£41,733,302</u>
FINANCED BY			FINANCED BY		
Share Capital			Share Capital		
Ordinary Shares of 4s. each	..	..	Ordinary Shares of 4s. each	..	..
"A" Ordinary Shares of 4s. each	..	..	"A" Ordinary Shares of 4s. each	..	..
Preferred Ordinary Shares of 4s. each	..	..	Preferred Ordinary Shares of 4s. each	..	..
	18,146,735	8,065,215		18,146,735	8,065,215
5½% Redeemable Cumulative Preference Shares of £1 each (redeemable at 3 months' notice by the Company)	..	..	5½% Redeemable Cumulative Preference Shares of £1 each (redeemable at 3 months' notice by the Company)	..	..
7% Cumulative Preference Shares of £1 each	..	..	7% Cumulative Preference Shares of £1 each	..	..
	2,562,875	2,562,875		2,562,875	2,562,875
	2,144,495	2,144,495		2,144,495	2,144,495
	<u>22,854,105</u>	<u>12,772,585</u>		<u>22,854,105</u>	<u>12,772,585</u>
Share Premium Account	..	..	Share Premium Account	..	..
General Reserves, adverse balance in 1967 (note 7)	..	..	General Reserves, adverse balance in 1967 (note 7)	..	..
Shareholders' Interests	<u>33,401,400</u>	<u>31,054,553</u>	Shareholders' Interests	<u>33,401,400</u>	<u>31,054,553</u>
Loan Capital (note 8)	..	..	Loan Capital (note 8)	..	..
	11,248,267	10,678,749		11,248,267	10,678,749
	<u>£44,649,667</u>	<u>£41,733,302</u>		<u>£44,649,667</u>	<u>£41,733,302</u>
ROOTES			ROOTES		
GILBERT A. HUNT			GILBERT A. HUNT		
W. J. TATE			W. J. TATE		
Directors			Directors		

The notes on pages 1857–81 form part of these Accounts

The notes on pages 1857–81 form part of these Accounts

The notes on pages [857-8] form part of these Accounts

CONSOLIDATED PROFIT AND LOSS STATEMENT

1 Balance from Trading Accounts			
After crediting Trade Investment Income £162,723			
(1966—£92,935).			
After charging:			
(a) Amortisation of Special Tools	1967	1966	
(b) Interest, etc., on Bank Loans, Overdrafts and	£	£	
Acceptance Credits	3,181,117	2,019,018	
(c) Auditors' remuneration and expenses			
Rootes Motors Limited	533,907	241,061	
Other Companies			
(d) Directors' emoluments			
Fees			
Management remuneration and pension con-			
tributions	3,016	2,039	
Superannuation Gratuities or similar payments	95,004	84,640	
Compensation for loss of office (£15,000 sub-	24,642	—	
ject to approval by members)	27,217	—	
2 Interest			
Debentures	1967	1966	
Board of Trade Loans	£	£	
Unsecured Loan Stock	285,390	289,425	
Purchase settlement from 1st January, 1966 to 14th	681,629	459,017	
July, 1966, on assets acquired by a Subsidiary ..	32,219	—	
Deferred Liabilities			
	203,338	—	
	999,238	951,780	
	376,958	219,395	
	£1,376,196	£1,171,175	
3 Net Taxation			
On results for the year:	1967	1966	
United Kingdom Taxation	£	£	
Overseas Taxation	—	102,810	
	336,760	217,745	
	336,760	315,555	
Less: adjustments in respect of prior years:			
United Kingdom	£	£	
Overseas	653,521	138,414	
	—	722	
	653,521	139,136	
	£(316,761)	£(176,419)	

BALANCE SHEETS (CONSOLIDATED AND COMPANY)

4 Fixed Assets	31st July, 1967	Net Book Value	31st July, 1966	Net Book Value
	Gross	£	Gross	£
Land and Buildings (mainly freehold)	23,606,997	2,361,870	22,046,002	1,964,009
Plant, Furniture and Fittings	34,913,263	20,436,217	34,018,481	17,969,741
	£58,520,260	£22,798,087	£56,064,483	£36,130,733
		£35,722,173		£19,933,750
The gross amounts of fixed assets are stated at cost (after deducting a provisional amount of £525,794 (1966—£136,340) in respect of Investment Grants) except in the case of assets acquired before 31st July, 1936, which are stated at the written down value at that date. Depreciation is calculated on the gross amounts on a straight line basis over the estimated effective life of each asset.				
The movements during the year were:—				
GROSS	Balance at 31st July, 1966	Additions	Disposals, etc.	Balance at 31st July, 1967
Land and Buildings (mainly freehold)	22,046,002	1,585,344	24,349	23,606,997
Plant, Furniture and Fittings	34,018,481	1,649,473	754,691	34,913,263
	£56,064,483	£3,234,817	£779,040	£58,520,260
DEPRECIATION	Balance at 31st July, 1966	Charge for year	Disposals, etc.	Balance at 31st July, 1967
Land and Buildings (mainly freehold)	1,964,009	419,283	21,422	2,361,870
Plant, Furniture and Fittings	17,969,741	3,139,893	673,417	20,436,217
	£19,933,750	£3,559,176	£694,839	£22,798,087
5 Investments	Consolidated 1967	Company 1966	Consolidated 1967	Company 1966
Subsidiaries:				
Shares at Cost less amounts written off to 31st July, 1966			18,165,760	15,693,486
Amounts owing by (including dividends receivable)			33,269,702	25,220,037
			51,435,462	40,913,523
Less: amounts owing to Subsidiaries			1,329,836	417,185
			50,105,626	40,496,338
Less: to reduce to an amount equivalent to the underlying net tangible assets of the Subsidiaries (note 7)			7,282,930	—
			42,822,696	40,496,338
Trade Investments:				
Shares in fellow Subsidiary, at valuation in 1966	1,842,010	1,842,010	1,842,010	1,842,010
Others, at cost, less £202,000 written off in 1967 to reduce quoted investments to market value	954,939	1,261,331	743,835	1,050,228
	£2,796,949	£3,103,341	£45,408,541	£43,388,576
Other trade investments (consolidated) comprise at 31st July, 1967, shares in quoted companies £693,097 (book amount and market value) and shares in unquoted companies £261,842.				

ROOTES MOTORS LIMITED and Subsidiaries

Notes on the Accounts (continued)

6 Stocks

Stocks include work in progress and continue to be stated at cost (including the relative works overheads) or at estimated net realisable value if lower.

7 General Reserves

	Consolidated £	Company £
Balance at 31st July, 1966	7,732,423	4,951,968
Net discounts at 31st July, 1966 on acquisition of Subsidiaries	134,664	—
Profit attributable to former trade investment, now a Subsidiary	350,000	—
Profit on redemption of Debentures	16,282	16,282
Profit on disposal of trade investment	7,031	7,031
Transfer on acquisition of minority interest	15,318	—
	<u>8,255,718</u>	<u>4,975,281</u>
Amount written off trade investments	(202,000)	(202,000)
Amount applied against investments in and advances to Subsidiaries (note 5)	—	(7,282,930)
Loss on disposal of Subsidiary	—	(44,054)
Expenses of capital issues	(81,108)	(69,922)
Transfer to profit and loss account	(10,755,315)	(159,080)
Adverse Balance at 31st July, 1967	<u>(£2,782,705)</u>	<u>(£2,782,705)</u>

The net amount of reserves retained in the accounts of overseas Subsidiaries and taken into account in arriving at the adverse balance above was £918,539 (1966—£724,775).

8 Loan Capital

	Consolidated 1967 £	Company 1966 £
Debentures	2,399,652	2,410,297
4% Debenture Stock 1974/84 (secured)	3,216,615	3,260,452
5 1/2% Debenture Stock 1984/89 (secured)	—	—
6 1/2% Debenture Stock redeemable at the rate of £15,000 p.a. up to 30th June, 1973 (secured)	90,000	105,000
7% Debenture Stock redeemable at the rate of £5,000 p.a. up to 1st April, 1979 (secured)	60,000	65,000
	<u>5,766,267</u>	<u>5,670,749</u>

LOANS FROM THE BOARD OF TRADE

1. Repayable at the rate of £300,000 p.a. (interest at 5% p.a.)	4,100,000	4,400,000
2. Repayable at the rate of £76,000 p.a. (interest at 5 1/2% p.a.)	532,000	608,000
3. Repayable at the rate of £650,000 p.a. commencing 1968 (interest at 5 1/2% p.a.) (secured, see note 12 (d))	7,850,000	—
	<u>12,482,000</u>	<u>5,008,000</u>
	1,000,000	—
	<u>£19,248,267</u>	<u>£10,678,749</u>

8% UNSECURED LOAN STOCK 1981

(of which £850,000 has been issued to the Holding Company, Chrysler Corporation)

9 Deferred Liabilities

Purchase Price of Properties acquired by Subsidiaries payable by instalments	1967 £	1966 £
1. until 1974, secured (interest at 6% p.a.)	448,000	512,000
2. until 1975, secured (interest at 5 1/2% p.a.)	187,000	209,000
3. until 1978, secured (interest at 5% p.a.)	3,516,763	3,700,426
	<u>4,151,763</u>	<u>4,421,426</u>
Balance of Purchase Price of Assets acquired by a Subsidiary, payable by instalments during 1969/1971 (interest at 1% in excess of Current Bank Rate)	2,000,000	2,000,000
	<u>£6,151,763</u>	<u>£6,421,426</u>

10 Overseas Companies

Certain overseas Subsidiaries ended their financial years on dates between 31st December, 1966, and 30th June, 1967, to facilitate the preparation of consolidated accounts. Fixed Assets in overseas countries have been expressed in sterling at rates of exchange ruling when those assets were acquired and other assets and liabilities in those countries have been expressed in sterling at rates of exchange ruling at the close of the respective year.

11 Commitments

Commitments for capital expenditure of the Company and its Subsidiaries at 31st July, 1967, amounted to approximately £1,670,000 (1966—£1,540,000). In addition, further expenditure amounting to approximately £3,500,000 had been authorised by the Directors.

At 31st July, 1967, the Company had agreed to purchase the balance of the share capital of Robins and Day Limited for approximately £1,500,000.

12 Contingent Liabilities

CONSOLIDATED

- (a) Bills discounted £2,095,897 (1966—£4,234,554).
(b) Others £337,117 (1966—£397,357).

THE COMPANY

- (a) Bills discounted £2,850,385 (1966—£2,114,393).
(b) Guarantees of Subsidiaries' bank loans £1,232,938 (1966—£1,156,186).
(c) Guarantee of outstanding instalments of purchase price of a property by a Subsidiary £3,516,763 (1966—£3,700,426).
(d) Guarantee secured by a debenture constituting a second floating charge on its assets of an amount owing by a Subsidiary to the Board of Trade (shown in note 8) of £7,850,000 and interest thereon.
(e) Others £160,000 (1966—£160,000).

13 Dividends on the 5 1/2% Redeemable Cumulative Preference Shares and the 7% Cumulative Preference Shares have been paid up to and including 31st July, 1966. No dividends have been paid on the Preferred Ordinary Shares since their allotment on the 6th March, 1967. At 31st July, 1967, the amounts of the arrears were:—

5 1/2% Redeemable Cumulative Preference Shares	140,958
7% Cumulative Preference Shares	150,115
Fixed cumulative dividend on Preferred Ordinary Shares	286,149
	<u>£577,222</u>

14 The Company is not a Close Company as defined by the Finance Act, 1965.

15 Under Article 4 of the Company's Articles of Association, special rights are attached to the shares of the Company, whereby the profits available for distribution (after charging the fixed cumulative preferential dividends on the two classes of preferred shares) are to be divided between the ordinary shareholders (the "ordinary" reserve account) and the preferred ordinary shareholders (the "preferred" reserve account).

The computation of the ordinary and preferred reserve accounts is based on a Special Consolidated Profit and Loss Statement for the year ended 31st July, 1967, and a Special Consolidated Balance Sheet as at that date, both the Statement and the Balance Sheet being prepared according to the terms of paragraph (F) (2) of the said Article.

The Article also requires that if in respect of any accounting period there shall be charged in the Special Consolidated Profit and Loss Statement any fixed preferential dividend which is not paid or recommended to be paid in respect of that accounting period then an amount equal to the difference between the fixed preferential dividend charged therein and the amount thereof so paid or recommended shall be credited to an "arrears account".

On the basis of these provisions the adverse balance on the General Reserve is divided as follows:

Ordinary reserve account	(£3,370,844)
Preferred reserve account	10,917
Dividend arrears account	577,222
	<u>(£2,782,705)</u>

CITY NOTES

INEVITABLY the 'Shares to buy for the new year' atmosphere has settled on the stock-market, despite the fog of doubt about the Government's pending economic moves. After a year of rising prices, not only in industrial equities but in the mining share sections as well, the new year share buying scope looks decidedly limited. Some brokers insist that the accent should be placed on shares to sell rather than shares to buy, maintaining that this is the time to scale down equity holdings to some degree and to take advantage of high yields offered at the fixed-interest end of the market. Yields of up to 8 per cent on industrial loan stocks and debentures are considered worth accepting by investors thinking of consolidating equity gains even at the expense of gains tax.

Virtually everything, however, depends on the Government's decisions on spending cuts, on moves to restrain consumer spending and on moves to restrain wage and also dividend increases. Despite the apparently firm line taken by the Prime Minister, there is still an uncomfortable feeling that once again a series of half-measures will be taken and that what remains of the fleeting benefits of devaluation will be frittered away.

That view may still keep sellers on the side-lines, and while fear of inflation remains, any relapse in equities is unlikely to go far.

RATES AND PRICES

Closing prices, Wednesday, December 27th, 1967

Tax Reserve Certificates: (29.11.67) Companies 4½%;
3% surrendered for cash; Personal 4%

Bank Rate

June 3, 1965	6%	May 4, 1967	5½%
July 14, 1966	7%	Oct. 19, 1967	6%
Jan. 26, 1967	6½%	Nov. 9, 1967	6½%
Mar. 16, 1967	6%	Nov. 18, 1967	8%

Treasury Bills

Oct. 20 .. £5 14s 6.92d%	Nov. 24 .. £7 11s 0.82d%
Oct. 27 .. £5 14s 6.36d%	Dec. 1 .. £7 11s 0.31d%
Nov. 3 .. £5 17s 1.93d%	Dec. 8 .. £7 11s 0.2d%
Nov. 10 .. £6 7s 3.10d%	Dec. 15 .. £7 10s 6.62d%
Nov. 17 .. £6 8s 3.10d%	Dec. 22 .. £7 9s 10.15d%

Money Rates

Day to day .. 6½-7½%	Bank Bills
7 days .. 6½-7½%	2 months .. 7½-7½%
<i>Fine Trade Bills</i>	3 months .. 7½-7½%
3 months .. 9-9½%	4 months .. 7½-7½%
4 months .. 9-9½%	6 months .. 7½-7½%
6 months .. 9½-10%	

Foreign Exchanges

New York .. 2.40½	Frankfurt .. 9.58½
Montreal .. 2.59½	Milan .. 1500½
Amsterdam .. 8.04½	Oslo .. 17.17½
Brussels .. 119.41½	Paris .. 11.80½
Copenhagen .. 17.92½	Zürich .. 10.39½

Gilt-edged

Consols 4% .. 55½xd	Funding 6% 1993 .. 87½
Consols 2½% .. 35½	Savings 3% 60-70 .. 88½
Conversion 3½% .. 50½	Savings 3% 65-75 .. 76
Conversion 5% 1971 .. 92½	Treasury 6½% 1976 .. 98½
Conversion 5½% 1974 .. 89½	Treasury 3½% 77-80 .. 75½
Conversion 6% 1972 .. 94½	Treasury 3½% 79-81 .. 72½
Funding 3½% 99-04 .. 54½	Treasury 5% 86-89 .. 77½
Funding 4% 60-90 .. 95½	Treasury 5½% 08-12 .. 79½
Funding 5½% 78-80 .. 83½	Treasury 2½% .. 35½
Funding 5½% 82-84 .. 84½	Victory 4% .. 96½
Funding 5½% 87-91 .. 85	War Loan 3½% .. 49½

Correspondence

The Qualified Company Secretary

SIR, - The article entitled 'Off target' in your issue of December 23rd, concludes with the words 'it is nonsense to suggest that the members of The Chartered Institute of Secretaries possess exclusively the skill required of an efficient company secretary'. It might have been nonsense had the President of the Institute made any such claim. In fact, in his speech he stated quite specifically that the claim that he made was *not* one of exclusiveness.

The point which Mr Archer sought to make was that the administration of a quoted company today was of such complexity and responsibility that it was desirable that the company should have a trained and qualified secretary. This is already firmly established in the two cases of the accountant as auditor, and the company lawyer - in which, of course, unlike the case of the secretary, there *is* a claim to exclusiveness.

The President's purpose in referring to the chartered secretary was to imply that in the same way that the accountancy bodies are the best suited to train and qualify accountants, and the Law Society and Bar Council, lawyers, The Chartered Institute of Secretaries might well be the best body to train and qualify company secretaries - the purpose for which it was established seventy-six years ago.

Yours faithfully,

London W1.

J. F. PHILLIPS, *Secretary*
THE CHARTERED INSTITUTE
OF SECRETARIES

SIR, - With reference to the leading article in *The Accountant* of December 23rd, I deprecate the general tone of the comments expressed. Such internal pettiness within the financial profession does no one any good and, indeed, tends to reflect badly on the people concerned as far as the general public are concerned.

In similar circumstances, I am sure any President of any Institute of Chartered Accountants would proclaim that a member of his institute was better qualified than others to hold a responsible financial office in industry or commerce, despite the fact that members of other institutes are currently holding such offices both capably and successfully.

Finally, I would add that I work most amicably with members of The Chartered Institute of Secretaries in the accounting field, and would prefer help rather than hindrance from our weekly journal in maintaining the co-operation that exists.

Yours faithfully,

Chelmsford, Essex.

G. B. REAST, F.C.A.

Certificate in Management Information

Successful Candidates in October 1967 Examination

The following members of The Institute of Chartered Accountants in England and Wales and The Institute of Chartered Accountants in Ireland were successful in the examination for the Certificate in Management Information held last October.

Members of The Institute of Chartered Accountants in England and Wales

Carlyle, Nigel Stewart, LL.B., A.C.A., Leeds.
Clifton, Cheston Russell Patrick, A.C.A., Hove.
Clover, Colin Manning, F.C.A., Richmond, Surrey.
Croudson, Roger, A.C.A., Leeds.
Curry, Aubrey James, F.C.A., London.
Curtis, Stuart, A.C.A., Treorchy.
Davies, John Howard, A.C.A., Blackburn.
Dobson, Geoffrey, A.C.A., Blackburn.
Dyer, Christopher Roland, A.C.A., London.
Ebenezer, John Edward, A.C.A., Thames Ditton.
Graves, Thomas Henry, A.C.A., Twickenham.
Hinsliff, Robert, A.C.A., Leeds.
Hunter, Alan Rae, F.C.A., Isleworth.
James, John Jesse, B.Sc.(ECON.), A.C.A., London.
King, Hugh Alastair, M.A., A.C.A., Dereham.
McGeown, John Samuel, B.A., A.C.A., Bolton.
Marshall, Michael Alfred, A.C.A., Camberley.
Nakhoda, Abbasbhoj Haider, B.Sc.(ECON.), A.C.A., Singapore.
Nellist, Robert Henry Harger, M.A., A.C.A., London.

Pearson, Malcolm, A.C.A., Todmorden.
Phillips, Brian Edward, A.C.A., London.
Searle, Derek Christopher, B.Sc.(ECON.), A.C.A., Boston Spa.
Sims, John Malcolm, A.C.A., Paris.
Smith, Herbert Mark, A.C.A., Liverpool.
*Temple, John Howard, A.C.A., London.
(and awarded the Howitt Prize)
*Thacker, Basant Shivji, A.C.A., London.
Thomas, Hugh, A.C.A., Oxted.
Watters, Gordon, A.C.A., London.
Wechsler, John Anthony Magnus, B.A., A.C.A., New Malden.
*Winburn, Melvyn, A.C.A., Leeds.
Wright, Martin David, A.C.A., New Malden.

Member of The Institute of Chartered Accountants in Ireland
Maxwell, Thomas Brian, A.C.A., Bangor, Co. Down.

(*with distinction.)

Candidates passed	..	..	..	..	..	..	32
** Candidates referred	..	..	..	..	..	..	7
Candidates failed	..	..	..	..	..	..	23

**Candidates referred in one paper will be permitted to present themselves on one occasion only at a later examination in the paper in which they have not attained the required standard. They will be regarded as successful in the examination as a whole if they pass the referred paper at the later sitting. Candidates unsuccessful in the referred paper at this one later attempt may present themselves at any following examination but will then be required to take all papers at that examination.

The Institute of Chartered Accountants in Ireland

Meeting of the Council

At the December meeting of the Council of The Institute of Chartered Accountants in Ireland held in Dublin, there were present: Mr N. V. Hogan, President, in the chair; Mr T. D. Lorimer, Vice-President, Messrs H. F. Bell, G. A. P. Bryan, D. S. A. Carroll, M. M. Connor, Niall Crowley, W. J. Johnston, Thomas Kenny, John Love, C. H. Nicholson, W. H. O'Donnell, C. F. Smith, A. J. Spain, D. H. Templeton, A. W. Warnock and F. C. Winkelmann, with the Secretary, the Joint Secretary and Assistant Secretary (Mr D. J. Layden).

Apologies for absence were submitted from Messrs A. S. Boyd, R. N. Crawford and H. W. Robinson.

Fellowship

Mr Martin P. Casey, Dublin, who had

been continuously in practice for five years, was elected to Fellowship.

Practice

The following were admitted to practice:

Meagher, F. J., A.C.A., Dublin
Owens, C. A., A.C.A., Mullingar, Co. Westmeath
Raftery, V. P., A.C.A., Sligo
Robinson, R. D., A.C.A., Gilford, Co. Down.

It was noted that Mr D. A. Carney, A.C.A., Dublin, had ceased to practise.

Membership

The following were admitted to membership as associates not in practice:

Comerford, James, Dublin

Davidson, P. A. T., Hull
Glennane, Dominick, Dublin
Hughes, Anthony, Dublin
Lynn, Brendan, Belfast
McClelland, R. J., Belfast
Rice, P. D., Newry, Co. Down.

Death

The death of Mr J. K. Montgomery, F.C.A., Belfast, who had been an Institute Examiner for many years, was reported and noted with regret.

Committees

Reports were submitted from the following committees: Courses; Dinner; Education and Training; Examination; Finance and General Purposes; Future Plans; Library; Parliamentary and

Law; Public Relations; Taxation.

Disciplinary Committee

The Council received a report of the following finding and decision of the Disciplinary Committee.

The committee found proved a formal complaint preferred by the Investigation Committee against

Charles Peter Martin, F.C.A., Clonskeagh, Dublin, to the effect that he had been guilty of acts or defaults discreditable to a member within the meaning of section (c) of bye-law 47 of the Institute's bye-laws.

The committee ordered that Charles Peter Martin be excluded from membership of the Institute.

Solicitors' Accounts Regulations 1967

Approval was given for the issue to all practising members of 'Notes for guidance on Solicitors' Accounts Regulations 1967'. This statement will be issued in the names of the Institute and the Incorporated Law Society of Ireland.

Students' Interests

Annual Conference of Union of Chartered Accountant Students' Societies

For many years the annual conference of the Union of Chartered Accountant Students' Societies, which represents some thirty students' societies throughout England and Wales, has been an occasion for the free exchange of views on everything that concerns students, and on factors likely to affect them in the future.

This year's conference was held on Friday and Saturday, December 15th-16th, in Manchester, when some fifty-eight delegates and officers of the Union and of its National Executive Committee assembled under the chairmanship of Mr Christopher Burr, A.C.A.

Following informal discussions on the Thursday evening, the conference was opened with prayers by the Rev. Brian Cramp on the Friday morning, after which delegates were welcomed by Mr D. A. Boothman, F.C.A., President of the Manchester Chartered Accountant Students' Society.

An early item on the agenda was a report from Mr D. C. Farthing, F.C.A., the Lecture Panel Secretary, on the use by member societies of the list of speakers which he maintained. The developments and difficulties of each society during the year were the subject of an eight-page report which had been circulated in advance and which presented a comprehensive picture. The conference noted with interest the increase in the activities of certain societies and the continued interest shown by students. The library service for members was then considered and the conference expressed pleasure that this subject was under general discussion.

It was announced that the question of income tax on fees paid to tutorial

institutions was also under consideration by the National Executive Committee and there was the possibility of a statement being made.

The informative and helpful meeting between members of the Council of the Institute and the National Executive Committee last March (already reported in these columns) was referred to, and the subsequent developments in various matters were noted.

The many activities of the National Executive Committee, formed a year ago, were reported on by the Chairman, Mr Michael Middlemas, of Birmingham. There was no doubt that the objects of the National Executive Committee were being achieved and the conference was highly satisfied with the success attending their efforts.

Among subjects discussed were; examination centres; the possibilities of a system of regular tuition at a local technical college in conjunction with a correspondence course; examination dates; examiners' reports; evening lectures; examination syllabus and the possibility of entry in the Common Market; *The Student Accountant*; outside activities of students; 'Are articles an outmoded inheritance?'; the possibility of joint events between district and students' societies; student representation on committees of district societies.

Elections

Union officers elected for the ensuing year were:

Chairman: Mr Michael Middlemas, Birmingham.

Treasurer: Mr J. V. C. Butcher, A.C.A., London.

Lecture Panel Secretary: Mr D. C. Farthing, F.C.A., London.

Hon. Secretary: Mr Derek du Pré, London.

Hon. Auditor: Mr P. L. Neild, T.D., F.C.A., London.

The following were elected as officers of the National Executive Committee:

Mr Geoffrey Morgan, A.C.A., South Wales, Chairman; Miss Ann Dent, London; Messrs A. D. Michelson, Northern; F. C. Prust, Leeds; Peter E. Rickett, Manchester; J. H. Scott-Baird, Liverpool; P. B. G. Williams, Birmingham.

On the first day of assembly, delegates and officers were entertained to a buffet lunch by the Manchester Chartered Accountant Students' Society when they met the conference organizers and prepared the way for discussions.

Conference Dinner

On the Friday night an informal dinner was held, presided over by Mr Christopher L. Burr, A.C.A., Chairman of the Union. Proposing the toast of 'The City and Trade of Manchester', Mr Burr referred to the 'momentous discussions' which had taken place earlier that day and went on to state that there was an overwhelming support for the functions of the Union generally and the role which the National Executive was now playing.

Responding, the Lord Mayor of Manchester, Alderman Mrs Elizabeth

A. Yarwood, J.P., said that she had particularly chosen to attend the dinner from among her many other invitations because the delegates at the conferences were young and it was encouraging to see so much enthusiasm from students who had come to the conference from many parts of the country.

Mr D. A. Boothman, F.C.A., President of the Manchester Chartered Accountants Students' Society, proposing the toast of 'Our Guests', said

that it was both a privilege for his society to act as hosts for the conference and for him, personally, to welcome the many guests present. He thanked the Lord Mayor for attending the dinner, particularly when she had so many other functions to honour. He went on to pay tribute to Mr David Adams, A.C.A., whose energy in organizing the conference had made it such a success. He also welcomed Mr G. R. Appleyard, F.C.A., a member of the Council of the Institute and

President of the Chartered Accountant Students' Society of London, and Mr Norman Bruckland, B.A., an Under-Secretary of the Institute.

Appreciation

At the end of the conference, the Manchester Chartered Accountant Students' Society were accorded a cordial vote of thanks for the excellence of their arrangements which proved to be well up to the standard of all previous conferences.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CLVII

July to December 1967

The general index to this volume - July to December 1967, Vol. CLVII - will be published with the issue dated January 6th, 1968.

The parts of the volume should therefore not be sent for binding until the index has been added.

PROFESSIONAL NOTICES

MESSRS JOHN ADAMSON, SON & COMPANY, Chartered Accountants, of Manchester and Bolton, and Messrs COOPER & COOPER, Chartered Accountants, of Bolton, London and Manchester have agreed to merge their practices as from January 1st, 1968. The practices will be conducted by

the same partners under the same names and at the same addresses as hitherto with the exception that the Manchester practice of Messrs COOPER & COOPER will now operate from 1 Chancery Place, Manchester 2.

MESSRS BINDER, HAMLYN, WILLIAMS & DAVIES, Chartered Accountants, of Birmingham, announce that on December 31st, 1967, Mr T. F. HOLMAN, K.S.G., F.C.A., will retire from the partnership, after an association of fifty years, having been a partner since April 1935; he has agreed to remain available in a consultative capacity for some time. They announce also that Mr R. M. BRUCE, C.A., who has joined the firm from the Manchester office of BINDER, HAMLYN & Co, will become a partner on January 1st, 1968. The style of the firm will remain unchanged.

MESSRS CLAPTON & MILLAR, Chartered Accountants, of Salisbury, announce that on January 1st, 1968, Mr K. M. THOROGOOD, A.C.A., will be admitted as a partner. The firm will practise under the name of CLAPTON, MILLAR & THOROGOOD at 23B High Street, Salisbury and also from Manor Hatch Offices, Southampton Road, Ringwood.

MESSRS HARVEY PREEN & Co, of Lawrence House, 3 Trump Street, London EC2, announce that as from January 1st, 1968, the following senior members of their staff are ad-

mitted into partnership: Mr J. W. CLARK, B.A., A.C.A., and Mr R. A. POWELL, A.C.A. (Bristol office), Mr M. J. WILKINSON, A.C.A. (Birmingham office).

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 33 King William Street, London EC4, and Messrs MARTIN FARLOW & Co, Chartered Accountants of 27 Finsbury Square, London EC2, announce that their respective practices will be operating in association as from April 1st, 1968. Mr D. A. THORNLEY, F.C.A., will then be assumed as a partner in THOMSON McLINTOCK & Co, and Mr J. T. H. MACNAIR, M.C., M.A., C.A., and Mr G. C. B. KELLAGHER, M.A., LL.B., C.A., partners in THOMSON McLINTOCK & Co, will be assumed as partners in MARTIN FARLOW & Co. As from December 18th, 1967, the practice of MARTIN FARLOW & Co will be conducted from 33 King William Street, London EC4.

MESSRS THORNTON BAKER & Co, Chartered Accountants (Bristol firm), Messrs W. H. GRIGG & PERKINS (incorporating STOREY HILL & Co), Chartered Accountants, of 8-16 Park Street, Bristol 1, and Messrs COZENS, BATE & Co, Chartered Accountants, of 8-16 Park Street, Bristol 1, jointly announce a merger of their practices with effect from January 1st, 1968.

MESSRS THORNTON BAKER & Co, Chartered Accountants (Bourne-

JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone 01-834 2002 (4 lines)

REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

mouth firm), Messrs CLAYTON, BAKER, LICKISS & SMITH, Chartered Accountants, of 31 Richmond Hill, Bournemouth, 2A Queen Street, Lymington and 230 High Street, Poole and Messrs BRADLEY, SLATER & RATCLIFFE, Chartered Accountants, of 582-4 Christchurch Road, Boscombe and 3 Church Street, Christchurch, jointly announce a merger of their practices with effect from January 1st, 1968.

MESSRS THORNTON BAKER & CO, Chartered Accountants (Liverpool firm), announce that Mr DAVID KAYE GOURLAY, F.C.A., retired from the partnership at December 31st, 1967.

MESSRS THORNTON BAKER & CO, Chartered Accountants (Birmingham firm), announce that Mr JOHN BRIAN MADGE, A.C.A., was admitted a partner on January 1st, 1968.

MESSRS WHINNEY MURRAY & CO, Continental firm, announce that Mr MICHAEL J. HARDING, B.A., A.C.A., has been admitted to partnership in their Paris office. Mr HARDING served his articles with the firm in London, joining the staff of the Continental firm in 1961.

MESSRS WHINNEY MURRAY & CO, Chartered Accountants, announce the admission on January 1st, 1968, to partnership in their Newcastle on Tyne firm of Mr JOHN M. STANLEY, F.C.A., and in their Manchester firm of Mr R. MICHAEL G. CARTER, M.A., A.C.A., both of whom have been on their staff for some years.

Appointments

Mr George R. McKenzie, F.C.A., managing director of The Carborundum Co Ltd, Manchester, has been appointed vice-president of the American and international concern, Carborundum Company Incorporated of Niagara Falls, U.S.A.

Mr L. W. Morris, A.A.C.C.A., has been appointed head of finance of the Meat and Livestock Commission. He joined the Pig Industry Development Authority in 1959 as accountant and was appointed finance officer of that Authority in 1965.

ROAD TRANSPORT TRAINING BOARD

Accountant Appointed Member

Mr Derek C. Kempson, F.C.A., has joined the Road Transport Industry Training Board as director of finance.

Formerly chief accountant with Charter Consolidated Ltd, Mr Kempson, who is 48, will in his new appointment be responsible for the financial operations of the Board and in particular, the handling of the £11.5 million levy and grants aspect of its activities.

DOUBLE TAXATION: AUSTRALIA

A new Double Taxation Agreement between the United Kingdom and Australia, which is to replace the existing agreement, was signed in Canberra on December 7th. The text of the new agreement is being published on December 15th, 1967, as a White Paper (Cmd 3484).

INLAND REVENUE

Extra-statutory Concessions

The Board of Inland Revenue have issued a new pamphlet containing the extra-statutory concessions in operation at December 31st, 1966.

The concessions have been rearranged and, where necessary, revised to take account of the introduction of corporation tax.

The pamphlet is obtainable from the offices of H.M. Inspectors of Taxes under reference number I.R.1.

POST-WAR CREDITS

Many elderly people and others who are entitled to draw their post-war credits may be failing to do so under the impression that their money is continuing to earn them interest. This, of course, is not the case as was pointed out by the Financial Secretary to the Treasury, Mr Harold Lever, in reply to a question in Parliament last week. An explanatory leaflet, Mr Lever said, about repayment of post-war credits states that interest accrues only to the time when the credit becomes repayable.

Since October 1st, 1959, 2½ per cent compound interest has been payable on post-war credits; the interest is tax-free and is paid as a lump sum with the principal. Those entitled to draw post-war credits include: men aged sixty and women aged fifty-five; persons in receipt of sickness benefit or registered as unemployed for twenty-six consecutive weeks; persons in receipt of war disability or industrial injuries pensions for 100 per cent disability; and widows irrespective of age.

IN PARLIAMENT

Departmental Cost Accountants

MR HUCKFIELD asked the Minister of Technology (1) whether he is satisfied that the numbers of qualified cost accountants in his department are in adequate ratio to its staff of 40,000; and if he will make a statement;

(2) how many qualified cost accountants there are at the moment in his department.

MR STONEHOUSE: This number cannot be regarded as entirely satisfactory, although our interest in staff with this qualification is not related by any simple ratio to total staff numbers. The department has advertised regularly for cost and works accountants on contracts but with disappointing results. We are now giving greater attention to arrangements for training our own staff to obtain professional qualifications in this field. In addition to cost accountants, the department employs ninety chartered and certified accountants.

Hansard, December 18th, 1967.
Written answers, col. 308.

£ Sterling: Purchasing Power

DR BENNETT asked the Chancellor of the Exchequer what was the purchasing power of the £ sterling on November 17th, 1967, in terms of its purchasing power in mid-October 1964.

MR HAROLD LEVER: Taking the internal purchasing power of the £ sterling as 20s in October 1964, its

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SALES & VALUATIONS
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value in November 1967 is estimated at 18s.

This estimate is based on changes in the Consumer Price Index for calendar years adjusted by movements in the Retail Price Index for the months at the beginning and end of the period.

Hansard, December 18th, 1967. Written answers, col. 293.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. next Monday, January 1st, 1968, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The Scripture for reading and thought will be Psalm 19, verses 10 and 11.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

THURSDAY

'The Taverners' monthly meeting at The Dive Bar, The Green Man, Bucklersbury, EC4. An address by Mr K. Lance Milne, F.C.A.(AUST.), Agent-General and Trade Commissioner for South Australia, on 'The accountancy profession in Australia'.

THURSDAY, 7.30 p.m.

Chess match *v.* Hendon 'B', at 7 Sunningfields Road, Hendon, NW4.

CROSSWORD SOLUTION

The solution to the Accountants' Crossword, compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

1	B	2	E	3	N	4	E	F	I	T	5	A	6	D	7	V	I	C	E	8
9	U	I	O	O	G	E	I	L												
9	L	A	N	D	O	W	N	E	R	10	S	E	R	V	E					
	L	T	T	S	E	T	C	S												
11	I	N	H	A	N	D	12	R	E	V	E	N	U	E	S					
	O						13	R	M	D	L	E								
14	N	E	G	O	T	I	A	T	E	D	15	C	A	S	E					
											17	T	T							
18	O	R	A	L			19	B	E	T	T	E	R	M	E	N	T	20		
	P	D					21	U	P	S	E									
22	T	H	U	R	S	D	A	Y	23	P	A	R	O	L	E					
	I	A	A				25	V	S	V	A									
26	O	F	T	E	N	27	E	M	O	L	U	M	E	N	T					
	N	E	C	R																
28	A	S	S	E	S	29	E	L	E	C	T	E	D							

NEW LEGISLATION

The date indicates when an Act received the Royal Assent.

STATUTES

Chapter 81:

Companies Act 1967

An Act to amend the law relating to companies. insurance, partnerships and money-lenders.

Price 10s 6d.

July 27th, 1967.

Chapter 82:

Dangerous Drugs Act 1967

An Act to provide for the control of drug addiction and to make further provision with respect to drugs.

Price 1s 9d

October 27th, 1967.

Chapter 83:

Sea Fisheries (Shellfish) Act 1967

An Act to consolidate certain enactments relating to shellfish fisheries and shellfish, with amendments to give effect to recommendations of the Law Commission and the Scottish Law Commission.

Price 2s

October 27th, 1967.

Chapter 84:

Sea Fish (Conservation) Act 1967

An Act to consolidate (with corrections and improvements made under the Consolidation of Enactments (Procedure) Act 1949) certain enactments which provide for regulating the commercial use of, fishing for, and landing of, sea fish, and for authorizing measures for the increase or improvement of marine resources.

Price 2s 3d

October 27th, 1967.

Chapter 85:

Vessels Protection Act 1967

An Act to make it an offence to take away a vessel without authority or to

use or be a party to the use of a vessel so taken; and for purposes connected therewith.

Price 5d

October 27th, 1967.

Chapter 86:

Countryside (Scotland) Act 1967

An Act to make provision for the better enjoyment of the Scottish countryside, for the establishment of a Countryside Commission for Scotland and for the improvement of recreational and other facilities; to extend the powers of local planning authorities as respects land in their districts; to make financial provision with respect to the matters aforesaid; and for connected purposes.

Price 5s 6d

October 27th, 1967.

Chapter 87:

Abortion Act 1967

An Act to amend and clarify the law relating to termination of pregnancy by registered medical practitioners.

Price 8d

October 27th, 1967.

Chapter 88:

Leasehold Reform Act 1967

An Act to enable tenants of houses held on long leases at low rents to acquire the freehold or an extended lease; to apply the Rent Acts to premises held on long leases at a rack-rent, and to bring the operation of the Landlord and Tenant Act 1954 into conformity with the Rent Acts as so amended; to make other changes in the law in relation to premises held on long leases, including amendments of the Places of Worship (Enfranchisement) Act 1920; and for purposes connected therewith.

Price 8s

October 27th, 1967.

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The Careers Register (2nd)

Banking Services

Clearing Banks (2nd, 9th)

Building Societies

Abbey National (9th)
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Building Finance

The Southern Trust Ltd (weekly)

Calculating Services

Ajax Data Processing Ltd (2nd, 16th)
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Calculators

Litton Business Systems (16th)

Charities

BLESMA (23rd)
Charities Aid Fund (2nd, 16th, 30th)
Imperial Cancer Research Fund (2nd, 16th)
Methodist Homes for the Aged (2nd)
Royal National Institute for the Blind (16th)

Company Documents

Chas Davy & Co Ltd (23rd)
Lewis, Coates & Lucas Ltd (weekly)

Company Report

Thos W. Ward Ltd (2nd)

Computer Services

International Computing Services Ltd (2nd)
Remington Rand (16th)

Correspondence Colleges

H. Foulks Lynch & Co Ltd (2nd, 9th, 23rd)
Metropolitan College (2nd, 9th)
Rapid Results College (23rd)
School of Accountancy (weekly)

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A. L. Factors Ltd (2nd, 30th)
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Lombard Banking Ltd

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Cleaners Ltd (2nd)

Pensions

The Chase Manhattan Executor and Trustee Corporation Ltd (2nd)
National Association of Pension Funds (30th)

Professional Associations

The Institute of Chartered Accountants in England and Wales (weekly)
The Institute of Taxation (16th)

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The Advertiser Press Ltd (2nd)
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Leopold Farmer & Sons (9th)
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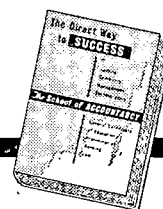
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